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MULTI-DONOR TRUST FUND FOR
EXTRACTIVES GLOBAL PROGRAMMATIC SUPPORT PHASE 2 (EGPS-2)

PROGRAM CONCEPT DOCUMENT

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Energy and Extractives Global Practice

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ABBREVIATIONS AND ACRONYMS

ASM	Artisanal and small-scale mining
BE	Bank-executed
CSM	Climate-smart mining
CSO	Civil society organization (including women's organizations)
DAC	Development Assistance Committee (of the Organisation for Economic Co-operation and Development)
EDD	End disbursement date
EGPS	Extractives Global Programmatic Support
EI	Extractive industries (defined as oil, gas and mining)
EI-TAF	Extractive Industries Technical Advisory Facility
EITI	Extractive Industries Transparency Initiative
ESMAP	Energy Sector Management Assistance Program
FCV	Fragility, conflict and violence
FY	Fiscal year
GGFR	Global Gas Flaring Reduction partnership
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
MDTF	Multi-donor trust fund
MIGA	Multilateral Investment Guarantee Agency
MNRW TTF	Managing Natural Resources Wealth Topical Trust Fund (IMF)
MSG	Multi-stakeholder group
MTR	Mid-term review
PFM	Public financial management
RRDC	Resource-rich developing country
RE	Recipient-executed
SDG	Sustainable Development Goals
TA	Technical assistance
TTL	Task Team Leader

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Definitions:

The World Bank Group defines social inclusion as¹:

1. The process of improving the terms for individuals and groups [including women and girls] to take part in society, and
2. The process of improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity [including women and girls] to take part in society.

Inclusive development as used in this document means a development that strives for social inclusion.

¹ "World Bank. 2013. *Inclusion Matters: The Foundation for Shared Prosperity. New Frontiers of Social Policy*; Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/16195> License: CC BY 3.0 IGO."

I. Background and Rationale

1. The Extractives Global Programmatic Support (EGPS) Phase II (EGPS-2) is a multi-donor trust fund (MDTF), to be established to promote sustainable development and poverty reduction in resource-rich developing countries (RRDCs).²
2. EGPS-2 seeks to build on the lessons learned from EGPS Phase 1 (EGPS-1) and continue the objectives of the EGPS to improve the ability and capacity of current and emerging RRDCs in using their oil, gas and mineral resources transparently for poverty alleviation, shared prosperity, economic diversification, and sustainable and inclusive economic growth.
3. Since its inception in 2015, EGPS-1 has supported country and regional/global activities in the extractive industries (EI) with a budget of US\$41 million (as of August 2019). The EGPS-1 MDTF was designed to provide a comprehensive package of support to clients across the entire EI value chain. Ensuring proper coordination of EI activities across the World Bank Group and with partner organizations was crucial to utilizing EGPS-1 MDTF resources effectively and avoiding duplication of efforts.
4. A mid-term review (MTR) of EGPS-1 was conducted in 2018, and the main findings and recommendations are summarized in Box 1. The MTR looked at the overall performance of the EGPS program, focusing on three key strategic areas: EGPS funding and the future of the EGPS; Extractive Industries Transparency Initiative (EITI) future funding and its implications for EGPS; and four EGPS design issues—(i) “earmarking”, (ii) the EGPS results framework, (iii) the four EGPS pillars (EGPS-1)/components (EGPS-2); and (iv) the project selection criteria. The MTR also provided an analysis of the EGPS portfolio to date, EGPS project results, and two other key strategic focus areas, namely gender and performance of the EGPS Program Secretariat.
5. At its meeting in October 2018 in Dakar, Senegal, the EGPS Steering Committee discussed the initial findings of the MTR and implications for the future of the EGPS and agreed to a new phase of funding and operation of the EGPS, EGPS-2. Further, during its meeting in Kiev, Ukraine, in February 2019, the Steering Committee agreed on the main concepts and procedures for EGPS-2, which are captured in this document.
6. EGPS-1 will run in parallel (to EGPS-2) with its closing date extended by two years to an end disbursement date (EDD) of October 31, 2022 for a seamless transition.

² The definition is consistent with that used by the International Monetary Fund and refers mostly to low- and lower-middle-income countries whose exhaustible natural resources (e.g., oil, gas and minerals) comprise at least 20 percent of total exports or 20 percent of natural resource revenues.

Box 1: Main findings and recommendations from the EGPS-1 Mid Term Review

Main Findings and Recommendations of EGPS Mid-Term Review

The Future of EGPS: At the end of the EGPS Steering Committee meeting in Dakar on October 29, 2018, Steering Committee members supported by consensus:

1. An extension of the present EGPS Program by two years (to end disbursements in October 2022) under the pre-set terms and conditions; and
2. A new second follow-on six-year EGPS Program from 2019 to 2025, with an updated Program Concept Document and new Administration Agreements.

EITI Funding and its Implications for EGPS: It is important to note that the future EITI funding needs will be much larger than the needs so far and the EITI International Secretariat and the EITI Board will need to reach out to a range of other sources, in addition to the EGPS. In addition, the World Bank TTLs and staff consider that there is presently unmet demand for non-EITI projects. The MTR recommends that:

- the EGPS Steering Committee give due consideration to what additional funding the Steering Committee governments can provide to help close the EITI funding gap and also provide for more non-EITI grants;
- the EGPS Steering Committee then coordinate their activities with the EITI Board so that there is a collaborative effort between the EITI Board and the EGPS Steering Committee to mobilize additional funding for EITI from other development partners and/or foundations and the private sector.

EGPS-2 Design: The MTR is supportive of the four pillars (renamed components in EGPS-2) as outlined in the Program Concept Document, which will need to be updated for the proposed new six-year EGPS Program. The MTR considers that the Results Framework is overly detailed. The MTR notes that

- The EGPS Secretariat is reconsidering the Results Framework and has started to prepare a proposal for a framework that gives more of an aggregate view of the EGPS accomplishments.

The MTR also recommends that:

- the Steering Committee consider endorsing the EGPS Secretariat to use its discretionary authority to “fast-track” approval of projects for countries who may be at risk of being found to have made “inadequate progress” in EITI Validation.

While fast-tracking may help reduce processing time, at least six months will likely be needed to complete World Bank Trust Fund appraisal and approval procedures. If the EGPS cannot meet the need, the MTR proposes the following three-step approach to mobilize urgently needed funding for countries at risk of inadequate progress:

1. Step 1: The EITI International Secretariat to identify countries at risk of inadequate progress and identify if the risk relates to government ownership, weak capacity, or both.
2. Step 2: The EITI Country Manager to arrange an in-country meeting of donors to discuss possible interventions/support to build government ownership or strengthen capacity as needed and see if bilateral funds can be made available promptly to meet the identified need.
3. Step 3: Once the government is committed and the capacity is in place to prepare an acceptable-quality proposal, a proposal can be prepared and then submitted to the EGPS.

The MTR also recommends that the EGPS Secretariat prepare and propose to the Steering Committee an EGPS Technical Working Group on Gender to be established to prepare and oversee integration of gender into the EGPS portfolio.

EGPS Staffing: To improve the workload management within the EGPS Secretariat, the MTR recommends that:

1. One of the Extractives Unit’s support staff allocate 50 percent of his/her time to the EGPS;
2. 20 percent of the time of each of the two Extractives Unit staff members be dedicated to the EGPS; and
3. A World Bank staff member with trust fund expertise be recruited to start in January 2019.

Looking at EGPS-1, in terms of the five Development Assistance Committee (DAC) criteria of the Organization of Economic Co-operation and Development (OECD), the MTR finds that the EGPS grants are highly relevant for extractive countries; the grants are being delivered effectively; the grants are being delivered moderately efficiently given the time needed for World Bank procedures; the grants are leveraging other funds; the grants have had a substantial, positive impact on countries with significant EI presence; the grants provide important innovation and learning; and EGPS-1 is sustainable.

II. Context

7. Natural resources are an important driver of growth in many resource-rich developing and emerging economies and are often responsible for a large share of government fiscal revenue. However, sustainable development does not necessarily follow natural resource wealth. Many pieces must be in place for the extractives sector to contribute to equitable growth, ensure environmental sustainability, provide fair and transparent revenue sharing and ultimately a positive contribution to sustainable development.
8. The EGPS is a flexible and demand-driven program that responds to the main challenges faced by RRDCs. These challenges include:

Corruption and lack of accountability: The extractives sector—and in particular large oil revenue—provides fertile ground for corruption. In many resource-dependent countries, corrupt elites skim off state income for their own benefit with few mechanisms in place to ensure accountability. Low trust and lack of meaningful dialogue between governments, the private sector and local communities can contribute to growing income inequality, persistent poverty, fragility and conflict, gender inequality, and human rights abuses.

Complexity of reforms: Governments may struggle to identify the main issues to address, the reforms to prioritize and how to sequence these reforms. The roles and responsibilities of important agencies and stakeholders are often not clear, while consistent dialogue between government, EI investors and civil society is rare. A **fact-based, clear regulatory framework, developed in consultation with its stakeholders with institutions to enforce it**, is an essential prerequisite for the extractives sector to contribute to growth, development and poverty reduction while minimizing negative environmental and social impacts.

Economic dependence on the extractives sector: Countries can experience a vicious cycle in which resource dependence and exposure to price fluctuations on international commodity markets become a self-reinforcing process. This process—which includes the Dutch disease—could amplify the resource dependence and disadvantage the local economy. Diversifying an economy from mining, oil and gas dependency into manufacturing and services is highly challenging. Further adding to this challenge is that future demand is uncertain for oil, gas and some minerals, which may even risk becoming stranded assets.

Environmental and social impacts of extractives: Despite growing knowledge, environmental and social questions remain enormously challenging, particularly when EI activities occur in environmentally sensitive or protected areas. Evidence of **environmental risks** are clear in recent oil spills from tankers, pipelines or wells and tailings dams' collapses. Meanwhile, the extractives sector tends to affect the most vulnerable and marginalized part of the population, including **local communities, indigenous peoples and women**.

This applies especially to artisanal and small-scale mining (ASM). ASM provides a livelihood for an estimated 100 million people in more than 80 developing countries in Africa, Latin America and the Asia-Pacific. While ASM is a traditional activity going back genera-

tions for some, high commodity prices and increased demand, including conflict-driven demand, have also contributed to the growth of ASM as an illicit activity with serious social, health and safety risks, and enormous adverse environmental impacts.

Gender inequality in the extractives sector: In the past it has become widely recognized that most (80 percent or more) of the benefits of extractives (in particular employment and income) go to men, whereas most social harm (including gender-based violence) and environmental damage falls disproportionately on women and the family members they care for. There is a need to level the playing field so that women can have equal access as men to extractives-related benefits and to empower women to manage, mitigate and reduce the harmful impacts of EI activities on their families and communities.

9. EGPS addresses these challenges in RRDCs and focusses on supporting:
 - a. **Revenue transparency** and efficiency of public management systems via **EITI implementation** and support to civil society organizations (CSOs) to advocate for accountability and fight against corruption (component 1);
 - b. **Evidence-based, effective regulation and institutional strengthening** to set the framework for an extractives sector that enables investment and ensures inclusive and sustainable development at the local and national level (component 2);
 - c. **Local value and diversification** whereby the EI is integrated into the local economy and shared infrastructure is developed to foster structural economic development at the local and national level (component 3); and
 - d. **Local community benefits for all and mitigating impacts on local ecosystems** (component 4). This includes active community engagement via information sharing and participation in decision-making.

Across all components, EGPS-2 seeks to foster gender equality by levelling the playing field, include women's voices in decision-making and promote access to equal access to extractives-related benefits. All EGPS activities will seek a long-term positive impact for the local population.

III. EGPS-2 Program Design

10. *The Development Objective* of this program is to improve the capacity of current and emerging resource-rich developing countries to use their oil, gas and mineral resources in a transparent, sustainable and gender-inclusive manner.
11. *A more focused approach:* While the EGPS-1 pillars were designed to provide support along the entire EI value chain, the setup of EGPS-2 aspires to be more focused and provide assistance where demand is highest and where EGPS grants can make the greatest difference. Specifically, EGPS-2 will not cover tax policy, revenue management and distribution—which are covered by the Managing Natural Resources Wealth Topical Trust Fund (MNRW TTF) of the International Monetary Fund (IMF)—but engage in economic resilience / diversification and green growth (see component description in section VII).

12. *Characteristics:* EGPS-2 aims to provide the World Bank and partners with an effective facility to address challenges in the extractives sector. EGPS-2 aspires to allow for (i) strategic orientation by the Steering Committee and flexibility in responding to shifting needs and priorities via an annual business plan; (ii) economies of scale and reduced transaction costs for donors, the World Bank and the clients in program management, monitoring and evaluation, trust fund administration, and communication based on its programmatic approach; and (iii) improved synergies across partners and portfolios based on close coordination with development partners and the EITI International Secretariat.
13. *Transition from EGPS-1 to EGPS-2:* EGPS-1 will close on October 31, 2022. The initial EDD of October 31, 2020, was extended by two years to ensure orderly completion of ongoing activities and a seamless transition to EGPS-2. With EGPS-2 expected to become effective and operational in 2019, the EDD for EGPS-2 is planned for October 31, 2025.
14. *Coordination of EGPS-2:* EGPS-2 will be coordinated with donors and partners as was the practice under EGPS-1. Where appropriate and relevant to the clients, World Bank staff from other practices and departments will be involved in implementation to ensure better linkages of reforms and deeper impacts. The EGPS Program Secretariat will continue to engage with stakeholders in other relevant areas, including but not limited to the IMF's MNRW TTF.
15. *Grant types:* EGPS-2 will implement recipient-executed (RE) and Bank-executed (BE) activities. For RE activities, grants are made to eligible recipients who implement/undertake the grant-funded activities. Recipients who receive grants for RE activities will be responsible for procurement and implementation, with supervision provided by the World Bank. All RE activities financed are administered under the Operational Policies and Procedures that apply to financing by the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), and payments for expenditures are made based on the activities to be delivered in the proposal through systems and arrangements agreed with the recipient. Separate funding will be made available to provide operational-level support to RE EGPS-2 grants and activities for supervision by World Bank staff. This support will finance operational support, recipient relationship management (including meetings and communication), task-level monitoring and evaluation, dissemination and outreach activities.

Recipients are generally government institutions. Specific activities focusing on socially-focused outcomes—such as gender, multi-stakeholder and citizen engagement, and monitoring of EI impacts at the local level—may also be implemented through eligible CSOs or non-governmental organizations if feasible.

For BE activities, funds are provided to technical specialists at the World Bank to undertake the specified activities. World Bank staff will be responsible for all BE activities including procurement and implementation. All BE activities are administered in accordance with the World Bank's Planning, Budgeting and Performance Management Manual and Administrative Policies and Processes, both of which also apply to the World Bank's administrative budget.

16. *Target group:* The program’s support to client governments will be complemented by support to relevant CSOs to build their capacity to play their roles effectively for improved performance and accountability of the sector. Priorities and criteria described in paragraph 34 apply.
17. The *strategic orientation of EGPS-2* is embedded in the World Bank’s overarching goals of ending extreme poverty and promoting shared prosperity. EGPS-2 will focus on four components and is set out to achieve the following corresponding objectives:
 - i. Improving sector revenue transparency and efficiency of public management systems;
 - ii. Facilitating evidence-based and inclusive sector policies, regulation and management;
 - iii. Enabling shared value at the national and local level; and
 - iv. Ensuring local community benefits for all and mitigating adverse impacts on local ecosystems

The component objectives are closely related to the Sustainable Development Goals (SDGs), as shown in the respective component descriptions. This focus is combined with the grant selection criteria described in paragraph 34, which in themselves address poverty (SDG 1) and peace and justice (SDG 16) by prioritizing low-income countries and countries with high levels of fragility, conflict and violence (FCV).

18. *The EGPS-2 Components:* Typical technical assistance (TA) and analytical activities eligible for funding from the EGPS-2 MDTF will be covered under the four components described in section VII, with clients having the option of utilizing various combinations of these components based on their specific developmental needs and leveraging other support available.
19. *Knowledge work:* Each component will have funds available for innovation and knowledge work, designed to advance the agenda in the respective field and to improve the World Bank’s service to its clients. Target allocations for knowledge work will be agreed upon by the Steering Committee via the annual business plan (paragraph 33).
20. *Gender equality:* EGPS-1 contributed substantially to establishing gender aspects in the extractives sector’s portfolio of the World Bank. The “Closing the Gender Equity Gap” project provides direct operational support for the Extractives Unit’s Task Team Leaders (TTLs) to introduce measures (and related results indicators) to close gender gaps in the extractives sector’s lending projects, especially those approved or under preparation in fiscal year (FY) 2019 and FY2020 in Guyana, Niger, Mali, Ghana and Burkina Faso. In EGPS-2, gender is a crosscutting feature to leverage project activities where possible, regardless of the component, to:
 - level the playing field so that women have the same rights and effective access as men to EI-related benefits, especially employment and income;

- support women’s voice and agency so that they are empowered to (i) participate in decision-making concerning EI-related benefits; and (ii) manage, mitigate and reduce the harmful impacts of EI operations on women and the family members whom they care for; and
- ensure that there be no harm caused by EGPS grants based on gender or other potential dimensions of discrimination or exclusion.

EGPS-2 aims to mainstream gender (as a crosscutting theme). This includes strengthening representation of women in multi-stakeholder groups (MSGs) for EITI (component 1), and development of gender- and culture-sensitive consultation and grievance redress mechanisms around EI negotiations (component 2). It seeks to reinforce gender equality in local content policies and programs and to improve the data basis for gender disaggregation of participants and beneficiaries (component 3). Work in component 4 will comprise more specific programs such as the development and implementation of gender-specific policies and strategies and action plans.

The gender focus in grants could include initiatives and measures to:

- Improve women’s access to direct and indirect employment along the EI value chain;
- Improve the workplace environment for women in the EI;
- Share successful experience regarding the advancement of gender equality among community-based organizations and women’s groups;
- Build a community of practice connecting women’s groups working on EI-related issues in the different regions of the world—the Americas, Africa, Europe, the Middle East, South and East Asia and the Pacific;
- Strengthen the capacity of governments, the private sector and CSOs to address gender equality challenges in the extractives sector;
- Promote the implementation of comprehensive gender impact assessments of EI projects, alongside social, environmental, and human rights impact assessments; and
- Support activities that promote women’s participation and leadership in the development and implementation of policies, projects and programs related to the EI.

To help support the achievement of gender equality and women’s empowerment (SDG 5) in EGPS -2, a procedure will be in place that ensures that all EGPS grants make use of opportunities to advance gender equality and include gender-specific actions to close gender gaps and promote gender equality more broadly. Gender activities will be included in at least 55 percent of all EGPS projects. This will be captured in a gender indicator in the results matrix.

IV. Program Implementation

21. *Funding.* In establishing EGPS-2, the World Bank will seek a minimum commitment of US\$2 million from each EGPS donor over the six-year EGPS period, with a proposed start date of the new EPGS-2 MDTF in October 2019. The funding target of EGPS-2 is US\$69 million. Development partners will provide funding to the common pool, as required for an MDTF. They can express their priorities via preferencing (paragraph 22) in the Administration Agreement signed with the World Bank.

22. *Preferencing.* Regular (non-preferenced) contributions to MDTFs remain the most efficient funding mode to obtain the results set out in this concept document. It should therefore be the preferred modality and the default for all donors. In addition to the input provided to this document, donors represented in the Steering Committee will have the opportunity to provide active strategic guidance via an annual business plan (paragraph 33). However, in accordance with the principles of “Umbrella 2.0”, development partners interested in a specific theme will have the option of indicating non-binding preferences for their contributions.
23. *Trust fund reform “Umbrella 2.0”:* EGPS-2 will be set up in accordance with the World Bank trust fund reform “Umbrella 2.0” as the Extractives Unit’s Umbrella Trust Fund. The reform is meant to streamline administration, governance, and reporting and maximize the impact of development partner resources. Umbrella 2.0 will also provide space for associated trust funds as stated in the principles of “Umbrella 2.0”, sharing the same governance structure and using a common result and reporting framework. Associated trust funds will be added as needed and on donor request. The World Bank’s Trust Fund Cost Recovery Framework (January 1, 2016) will apply.

Via Umbrella 2.0 donors’ specific priorities can be accommodated beyond the “preferencing” mentioned in paragraph 22. Associated trust funds with a specific focus (within the scope of the EGPS) can be created with a minimum initial contribution of US\$2 million and receive donor contributions to fund their specified priorities. There will be, however, one overarching results framework, one donor report and one Steering Committee. Associating trust funds with the EGPS will not require amendments to the Administration Agreements if they are within the EGPS scope but will need endorsement by the Steering Committee and documentation in the meeting minutes.

24. *Structure.* The implementation structure of EGPS-2 will include a Steering Committee, which will provide high-level endorsement and oversight of EGPS activities, and an EGPS Program Secretariat to manage the EGPS work program and grant implementation whereby EGPS grant activities are carried out under the leadership of the World Bank Extractives Unit staff.
25. *Steering Committee.* The Steering Committee will be composed of high-level representatives from government and non-government donors committing at least US\$2 million to the EGPS. The Steering Committee will meet at least once annually and will be chaired by the World Bank Energy and Extractives Global Practice Director, or in his absence his designated representative.

The Steering Committee will focus on the following areas of engagement:

- a. Approve project selection criteria and provide strategic guidance to the EGPS Secretariat. It will discuss and endorse an annual business plan that contains target funding levels for the individual EGPS components as described in paragraph 33, and provide feedback and guidance on the overall strategic direction and funding priorities.

- b. Oversee EGPS implementation. It will review and endorse the work plan (grants pipeline) and the budget prepared by the Program Secretariat and review progress of the EGPS program.
- c. Engage in Technical Working Groups as defined in paragraph 30.

Decisions by the Steering Committee will be made by consensus and become effective based on the recorded meeting minutes.

26. *Information sharing:* Decisions and agreements reached during the meetings with its trust fund members are made publicly available. However, information prepared for or exchanged during the deliberations with its shareholders and trust fund members will not be disclosed. Steering Committee meetings will allow observers during a general briefing section and will explicitly provide opportunities to the EITI International Secretariat to interact with the Steering Committee, exchange information on specific grants in the EGPS portfolio, and make recommendations. Subsequently, the Steering Committee will hold closed meetings to discuss resource allocation, priority-setting and strategic questions.
27. *The EGPS Program Secretariat* will prepare and manage implementation of the EGPS work program and specifically have the following functions:
- a. managing day-to-day operations of the EGPS Trust Fund, including administering the flow of funds and managing funding projections and plan;
 - b. preparing and submitting an annual business plan (paragraph 33) to the Steering Committee for endorsement;
 - c. proposing a work program (grants pipeline) and budget on a rolling basis based on the previously agreed annual business plan and selection criteria (specified in paragraphs 34) for endorsement by the Steering Committee;
 - d. implementing the EGPS work plan (grants pipeline) and budget using the contribution funds to ensure an efficient project flow;
 - e. managing donor relations, communication and outreach, including reaching out to potential donors;
 - f. providing administrative support to the Steering Committee, including organization and coordination of meetings;
 - g. preparing and submitting terms of reference and composition for Technical Working Groups to the Steering Committee for endorsement, and following Steering Committee endorsement, coordinating the logistics and meetings of the Technical Working Groups;
 - h. preparing annual progress and results reports for submission to the Steering Committee and for publication (where the World Bank's standard reporting requirements will apply); and
 - i. facilitating mid-term and final performance evaluations of the EGPS program, in accordance with the criteria of the Development Assistance Committee (DAC) of

the Organisation for Economic Co-operation and Development for evaluation of development projects, and terms of reference agreed by the Steering Committee for the consideration of the Steering Committee and for publication.

28. *Time-critical responses:* The EGPS Secretariat is entitled to make discretionary allocations to fund time-critical activities below a threshold of US\$200,000. The activities will be consistent with the selection criteria set out by the Steering Committee and follow the normal rules for Bank-financed or BE activities, including safeguards. Discretionary allocations will be submitted to the Steering Committee for post-review (ex-post endorsement).
29. *Private sector donors:* Private sector donors will be eligible to provide financing (subject to fulfilling the World Bank donor requirements) but they will not be eligible to appoint a representative on the Steering Committee in view of potential and/or perceived conflicts of interest. However, they may form part of Technical Working Groups (as described below), when deemed appropriate by the Program Secretariat and the Steering Committee. Subject to the approval by the Chairperson of the Steering Committee, private sector donor representatives will participate in a Steering Committee meeting as observers. Private sector donor representatives may however have a decision-making role in associated trust funds, subject to the respective arrangements in the Administration Agreements.
30. *Technical Working Groups:* The EGPS Secretariat may propose Technical Working Groups to the Steering Committee to support specific aspects related to the various components. The role of the Technical Working Groups will be in line with the function of the Steering Committee to which they report. Each Technical Working Group will be led by a specialist (technical component lead) assigned by the World Bank. The terms of reference for and the composition of the Technical Working Groups will be designed and proposed by the EGPS Program Secretariat and will be subject to Steering Committee endorsement. Arrangements for the Technical Working Groups may be amended from time to time based on demand and the evolving nature of the EGPS, with endorsement by the Steering Committee. The Technical Working Groups will comprise donor representatives and other stakeholders as members and/or observers where relevant (including participation from private sector donors) and endorsed by the Steering Committee.
31. *Staffing of the EGPS Program Secretariat:* The EGPS Program Secretariat will be led by a full-time Program Manager supported by several other staff members all working part time on EGPS-2. The latter include technical component leads as needed, an operations specialist, a communication officer and other technical-level World Bank staff as needed, including on gender equality. The technical component leads will be responsible for the coordination of activities within each of the EGPS components and will also play a lead role in knowledge management, developing and disseminating good practices and lessons learned, engaging with other World Bank Global Practices, and providing technical advice to TTLs managing individual grants.
32. *EGPS-2 portfolio build-up* will follow the same approach as that used in EGPS-1 with a competitive allocation of funds based on issuing a call for proposals on a rolling basis. This system is designed to be demand-responsive while ensuring a high quality of the proposals

and being conducive to innovation. The call for proposals will be announced to the donors on the Steering Committee as well as to client countries via World Bank country offices.

33. *Business plan:* The Steering Committee will provide strategic guidance to the EGPS portfolio through review and endorsement of an annual business plan that contains a target allocation for each of the four components. The business plan will be proposed by the EGPS Secretariat to the Steering Committee for discussion and endorsement.
34. *Project selection:* The selection process for country-specific RE and BE projects is entrusted to the World Bank by the Steering Committee. It consists of two stages whereby the first stage screens proposals with exclusion criteria to ensure that the proposed projects (i) be ready for implementation; (ii) have a clear demand and strong government ownership; and (iii) be consistent with one or more core elements of the relevant World Bank Country Partnership Framework and approved by the World Bank Country Director.

In the second stage, eligibility for EGPS funding will be assessed based on the following criteria: (i) measurable impact, clear monitoring and evaluation of the EGPS performance indicators, and the soundness of proposal; and (ii) strategic alignment with other World Bank work (to obtain leverage). In addition to (i) and (ii), global BE projects will also be assessed against (iii) a clearly defined audience and dissemination plan and (iv) the potential to spark innovation and inform EI reform measures. Projects that pass the second stage are eligible for funding.

EGPS-2 focusses primarily on RRDCs. Therefore, if there are funding constraints, grants will be awarded— in order of decreasing priority— to low-income countries, lower-middle-income countries, and finally to upper-middle-income countries. Within these groups, preference will be given to FCV -affected countries.

A specific selection criterion for EITI implementation projects will be the likelihood of the EGPS funds catalyzing effective implementation of the EITI Standard that leads to sustained improvements in EI revenue transparency. EGPS provides support throughout the EITI cycle. Newcomers are eligible for grants to support the preparation of candidature. The EGPS however does not provide continuous long-term financing of EITI implementation in a country. Grants are used preferably to provide initial support (typically via two consecutive grants with a duration of three to four years) as bridging finance until countries manage to mobilize sustainable domestic funding for EITI implementation or mainstreaming of transparency in their national systems. More than two consecutive grants will be awarded only in exceptional cases.

EGPS grants generally range between US\$100,000 and US\$500,000. Keeping transaction costs of RE grants at a reasonable level can be a challenge, particularly if the grant finances a stand-alone operation, with no possibility of leveraging additional funds or complementing larger operations. Efficiency and cost-effectiveness will therefore be given special attention. Where possible, existing implementation structures will be used instead of setting up parallel arrangements.

All screening and selection criteria are subject to revision or amendment by the Steering Committee when needed. Revised selection criteria will be agreed upon by the Steering Committee, documented in meeting minutes and become effective immediately.

35. *Communication and visibility requirements*: A targeted communication program and strategy will raise the visibility and awareness of EGPS-2 and the results and impacts from the projects it has funded. The communication strategy will focus on case studies and project-level success stories and target relevant media and wider stakeholders and influencers in the extractives sector. The overarching, long-term objective will be to position the EGPS as a donor-funded, demand-driven, demand-responsive and relevant facility in the extractives sector, embedded in the World Bank as the leading global organization for technical advice and support for reforms in the extractives sector. The World Bank’s standard communication and visibility requirements will apply to all EGPS communication. The communication budget will be made available out of the program management budget.

V. Resources and Schedule

36. Country-specific projects and regional activities will utilize and leverage existing implementation arrangements and local expertise to the maximum extent possible through the active participation of regional staff and staff from other Global Practices. This arrangement will maximize efficiency and ensure uniformity of approach while leveraging existing knowledge and capacity.
37. A tentative work plan and budget for the four components is presented in Table 1 below, subject in large part to the amount of donor contributions. The target funding for EGPS-2 is US\$69 million, based on the needs-assessment provided by the MTR. Allocations to components are indicative, based on Phase 1 allocation shares. The distribution of funds between components will be finalized in an annual business plan by the Steering Committee (paragraph 33).

Table 1: EGPS Budget Allocation by Components (US\$ million)

EGPS Component Description	FY20	FY21-25	Total
Component 1: Transparency	5.5	27.5	33
Component 2: Sector policies, regulation and management	2.5	12.5	15
Component 3: Local value and diversification	0.5	2.5	3
Component 4: Environmental and social sustainability	1.5	7.5	9
Subtotal TF Activities	10	50	60
Program Management and Administration (15%)	1.5	7.5	9
GRAND TOTAL EGPS PROPOSED BUDGET	11.5	57.5	69

The distribution of allocations according to implementation modes is expected to be as shown in Table 2 below:

Table 2: EGPS Implementation Model (US\$ million)

EGPS Implementation mode	FY20	FY21-25	Total
RE – Recipient Executed	7	35	42
BE – Bank Executed Supervision of RE grants	1	5	6
BE – Bank Executed Advisory Services and Analytics (ASA)	2	10	12
Subtotal TF Activities	10	50	60
Program Management and Administration (15%)	1.5	7.5	9
GRAND TOTAL EGPS PROPOSED BUDGET	11.5	57.5	69

38. The following timelines are envisaged: the concept note finalized by September 2019 and EGPS-2 becoming effective by October 2019.

VI. Program Risk Assessment and Mitigation

The following risks and mitigation measures have been identified:

39. **Strategic:**

Risks: EGPS-2 will support programs and activities that improve the ability and capacity of current and emerging RRDCs to use their oil, gas and mineral resources transparently for poverty alleviation, shared prosperity and gender equality. As such, EGPS-2 responds to the World Bank Group’s overarching goal of ending extreme poverty by 2030 and boosting shared prosperity. While these goals are shared by all donors at a strategic level, there is a risk of misalignment between the selection of specific EGPS projects to achieve these objectives on the one hand and the project-type and country priorities of individual donors on the other.

Mitigation measures: The broad objectives of the partnership will be set forth in EGPS-2 establishment documents and the priorities for budgeting/funding will be endorsed by the Steering Committee based on an annual business plan. Under an MDTF, donors may not earmark funds but may state a non-binding preference that their contribution be used to finance one or more components or recipient countries. The EGPS Secretariat will consider such preferences in its decision-making to the extent possible given that the overriding priority will be to optimally manage the EGPS funds to maximize overall development impact. Furthermore, EGPS-2’s early engagement with civil society, governments and companies will provide a channel of communication designed with the objective of generating a common understanding to maximize the potential benefits of the EGPS’ activities.

40. **Financial:**

Risks: EGPS-2 financial risks exist at two levels: (i) misalignment of the timeline for implementation and/or closing of the current EGPS-1 MDTF, which could lead to a gap in funding and disruption to ongoing activities due to insufficient funds in the EGPS-1 MDTF, and (ii) lower-than-anticipated target funds.

Mitigation measures:

(i) The Steering Committee has endorsed extending the closing date of EGPS-1 by two years to October 31, 2022 and setting up EGPS-2 in parallel, which will become effective during 2019 and continue through the closing date of October 31, 2025. This overlap will ensure that there be no funding gap. To avoid the possibility of projects not being finalized before the EGPS-1 EDD, all new donor contributions will be channeled to EGPS-2 as soon as it becomes effective and EGPS-1 will be closed once all EGPS-1 grant activities have been closed.

(ii) To maintain the level of engagement and impact over the duration of the program, the EGPS Secretariat will seek close coordination with donors and alignment with their priorities to facilitate their ability to increase the level of their contributions.

41. **Operational:**

Risks: EGPS-2 operational risks include lengthy preparation, approval and response time. At the grant level, there is a risk of poor impact and sustainability due to deficient ownership and commitment on the recipient side or poor project preparation on the World Bank's side.

Mitigation measures: EGPS-2 uses World Bank procedures for small grants (in accordance with the guidance note on Small Recipient Executed Trust Funds). For time-critical response, the EGPS Secretariat will make use of the "fast-tracking" option to allocate funds as described in paragraph 28. This, however, requires demonstrated country ownership and compliance with all the project screening and selection criteria as specified in paragraphs 34. To reduce preparation time of BE projects, the EGPS will make use of a programmatic approach.

At the grant level, the risk of deficient ownership and commitment is addressed through the grant selection, a process in which evidence for client commitment and ownership as well as readiness for implementation are among the requirements for approval. Additionally, if a grant does not become effective due to delays on the client side, allocated funds can be freed and made available for other allocations in accordance with a procedure agreed with the Steering Committee.

With regard to achieving the desired impact, the World Bank's project preparation and implementation procedures ensure that projects be well designed and implemented, and that funds be properly used and not diverted or misused. The EGPS Secretariat will also continue to leverage co-funding where feasible through synergy of EGPS grants with industry- and other donor-led projects, and where possible will design EGPS-grant-funded activities so that they can be followed by traditional IDA/IBRD or other donors' technical assistance projects, which will expand the benefits attained from the EGPS grants.

42. **Implementation:**

Risks: EGPS-2 implementation risks include inadequate project management capacity by clients, which poses risks for the quality of implementation and client response time.

Mitigation measures: The risk is mitigated, first, by the EGPS-2 project screening and project selection criteria which require that clients have both adequate implementation capacity and a strong commitment to the proposed project. Second, World Bank fiduciary specialists and TTLs will also provide support to build recipient implementation capacity where needed and feasible. Environmental and social risks are addressed in the next paragraph.

43. **Environmental and Social:**

Risks: By supporting projects that will indirectly lead to future extractives sector development, the EGPS-2 projects may lead to potential environmental and social risks. There are also risks that potentially positive EGPS-2 activities have unintended negative impacts, e.g. operations targeting increased benefits for women have the risk of creating community animosity where one group is seen prioritized over another.

- **Mitigation measures:** All EGPS-2 projects will adhere to the World Bank's established safeguards mechanisms which are designed to prevent or mitigate harm to people and their environment in the development process.³ EGPS-2 will include activities that will aim to address the environmental and social risks of EI operations through development of stronger legal and institutional frameworks, and building stronger government and civil society capacity to manage and mitigate risks. EGPS-2 project teams will ensure that all project-specific safeguard-related work be implemented and owned by the recipient. The teams will draw on the pool of World Bank safeguards specialists (both environmental and social development specialists), who will help to identify potential conflicts and design communication and other activities to mitigate them. On gender equality, EGPS-2 will support activities at two levels: (i) ensuring that at least 55 percent of the portfolio of grants have specific gender equality actions, in addition to broader gender-related efforts (such as sex-disaggregated data and gender-sensitive project design) to the extent possible; and (ii) developing and financing a gender equality strategy that will seek to deepen EGPS engagement on a few priority issues related to gender equality and the EI (see paragraph 20). The gender equality focus of the portfolio will include, but is not limited to, not only actions to empower women but also actions to engage men and boys in support of empowerment of marginalized women and girls. EGPS-2 will also undertake activities to improve conditions in fragile and conflict-affected environments.

44. **Climate Change:**

Risks: There is a risk that World Bank engagement in the oil and gas sector might be perceived as a contradiction to its compliance with the Paris Agreement. Such a perception could complicate donor support going forward. There is also a risk that EGPS-2 may not provide adequate support for the climate change mitigation and adaptation agenda.

Mitigation measures: EGPS communication on its engagement in the oil and gas sector will underline that the program does not seek to increase global oil and gas production but will help harness the potential of the sector to generate state income for the benefit of its citizens and reduce poverty in developing countries. To this end, EGPS-2 will provide technical assistance to strengthen regulatory, fiscal, and contractual frameworks and policies as well as to implement policies, standards, and rules more effectively. In so doing, the program will capture good international practice and balance the interests of governments and investors, enhance transparency and accountability, and improve benefits for local communities.

The World Bank fully supports the climate change and adaptation agenda and the Extractives Unit has made significant progress in its implementation. EGPS-1 highlighted the role of the mining sector in a low-carbon economy and pointed out that renewable energy generation

3. World Bank's Guidance Note of Safeguards Application to Technical Assistance Projects, January 2014.

would be significantly more mineral-intensive—scaling up renewable energy, energy efficiency improvement, and energy storage technology will create additional demand not only for minor metals such as lithium and cobalt, but will also require an increase in base metal production (such as iron, copper and nickel). A major outcome of EGPS-1 has been the establishment of a separate Climate Smart Mining MDTF. EGPS-2 will also support the climate change and adaptation agenda but will avoid an overlap with or duplication of work being carried out in other World Bank facilities such as the Climate Smart Mining MDTF and the much larger Energy Sector Management Assistance Program (ESMAP) MDTF.

45. **Reputational:**

Risks: Given the often-controversial perception of extractives sector and the very real potential for corruption and environmental and social harm, the EGPS has a risk of having the World Bank and EGPS donors associated with specific EI “problems” that may be found in client countries.⁴

Mitigation measures: Because the EGPS funds are pooled and decisions are taken by the Secretariat and endorsed by the Steering Committee, the individual reputational risks to the World Bank and to donors are collectively assessed and shared. As noted above, the World Bank will apply rigorous safeguards standards to all EGPS grants, along with strong analytical work and publications, thereby ensuring quality and integrity of EGPS activities and advice provided to the clients. Outreach and knowledge-sharing activities will also be designed with the objective of generating a common understanding, including through lessons learned on risk mitigation in EGPS activities. But if it so happens that the World Bank and EGPS donors become associated with specific EI issues in client countries, strong measures will be promptly taken to correct the situation. If the issue is completely unrelated to EGPS activities in that country, then (i) the EGPS Secretariat will put in place strong communication to clarify the situation and outline the EGPS activities and how risks have been mitigated; and (ii) the EGPS Secretariat will consult with the TTL (of the activity) and the World Bank Country Manager to determine whether and how the EGPS can provide any useful and appropriate input to the government to address the issue.

46. **Coordination:**

Risks: There is a risk of differing expectations within the donor group, between donors and the World Bank, and between either or both and the EITI International Secretariat concerning the extent of EITI-related allocations within the EGPS portfolio. While the EGPS is the main EITI implementation facility and the World Bank continues to be fully committed to the EITI agenda, the competition between EITI financing and fund allocation to other components has been a recurring point of discussion between the EGPS and the EITI International Secretariat. There is a risk that the working relation may be affected, potentially diminishing efficiency and general attractiveness of EGPS-2 to donors.

Mitigation measures: Progress has been made towards a closer coordination via a systematic exchange of pertinent information with the EITI International Secretariat and the EITI Board.

⁴ It should be noted that investments by the International Finance Corporation (IFC) and guarantees provided by the Multilateral Investment Guarantee Agency (MIGA) also face the same reputational risks.

This coordination efforts as well as open communication will be reinforced and further institutionalized.

VII. EGPS-2 Components and Results Framework

This section provides more detailed component descriptions including an indicative results framework for each. Individual projects will be able to draw on one or more components and results frameworks for individual projects will include only those indicators that apply to the specific project components. Results frameworks from individual projects will be aggregated on an annual basis where possible to provide program-level monitoring and evaluation. Such integrated reporting will be disclosed in EGPS MDTF annual reports.

EGPS-2 high-level results

Ultimate Outcome		Ensuring that the extractives sector in developing countries contribute to ending extreme poverty and boosting shared prosperity.			
Development Objective of EGPS		Improved capacity of current and emerging resource-dependent developing countries to utilize oil, gas and mineral resources in a transparent, sustainable and gender-inclusive manner.			
DO level Outcomes		Improved transparency, sustainability and gender-inclusiveness in oil, gas and mineral resources sector management in resource-dependent developing countries			
Cross-cutting Gender Objectives		<p>Leveling the playing field so that women have equal rights and access as men to benefits derived from extractive industries, especially employment and income</p> <p>Supporting women's voice and agency so that they are empowered to (i) participate in decision-making related to extractives-sector-linked benefits; and (ii) manage, mitigate and reduce the harmful impacts of extractive-industry operations on women and the family members whom they care for</p> <p>Ensuring that there be no harm caused by EGPS grants based on gender or other potential dimensions of discrimination or exclusion</p>			
	C1: Transparency	C2: Sector policies, regulation and institutional strengthening	C3: Local value and diversification	C4: Local communities and ecosystems	
COMPONENT OBJECTIVES	Improving sector revenue transparency, and efficiency of public management systems	Facilitating evidence-based and inclusive sector policies, regulation and management	Enabling shared value at the national and local level	Strengthening local community benefits for all and mitigating adverse impacts on local ecosystems	
COMPONENT INTERMEDIATE OUTCOMES	<ul style="list-style-type: none"> Implementing countries achieve satisfactory or meaningful progress based on the 2019 EITI Standard. Countries' EITI candidatures are accepted by EITI. EITI mainstreaming plans are implemented with EITI reporting linked to or incorporated in governments' public financial management or other systems More women and women's organizations are represented in EITI multi-stakeholder groups. CSOs have increased capacity to advocate for accountability. The global EITI and transparency agenda is more informed. Public understanding of EITI is improved. 	<ul style="list-style-type: none"> Governments in resource-rich developing countries undertake regulatory or policy reforms as a result of evidence-based analyses. Governments undertake consultations with CSOs. Governments adapt their policies and policy implementation to current and upcoming challenges and opportunities. Informed stakeholders (including marginalized populations and women) participate in consultation processes. Governments develop and adopt gender equality policies for their extractives sector. 	<ul style="list-style-type: none"> Governments make evidenced-based and informed decisions on extractive-industry-led local economic diversification policies and shared infrastructure, Stakeholders benefit from improved knowledge of extractive-industry-led local economic development policies that consider gender equality. 	<p>Governments update laws, regulations and procedures and strengthen institutional enforcement capacity to:</p> <ul style="list-style-type: none"> improve environmental performance of the sector; engage local communities in decision-making; enhance community benefits and promote gender equality; and formalize artisanal and small-scale mining. <p>Ministry staff, private sector, and CSOs benefit from improved knowledge of environmental performance, community benefits and gender equality in the extractive industries</p>	

Component 1: Transparency

This component will focus on improving extractives sector revenue transparency and efficiency of public management systems.

While Component 1 includes a range of reforms supporting various aspects of sector transparency, support to implementation of EITI remains at its core. EITI is an international standard for transparency around the management of revenues from natural resources. The EITI Standard requires, among others, disclosure of regulatory frameworks, exploration and production license allocation and revenues received from EI companies operating in their country. Companies disclose their payments and this information is reconciled independently before being published and disseminated to the public. Increasing efforts are being made to integrate disclosure in standard public financial management (PFM) processes and thereby gain efficiency. The EITI Standard also includes, as of 2019, a new component focused on gender equality, notably in ensuring women's voices, decision-making, and rights supported by sex-disaggregated data and a gender-sensitive approach to dissemination.

While natural resource revenues can potentially have transformative impacts on local development, if they are not carefully managed, they can proliferate corruption and conflict. Transparency is a powerful change agent. The World Bank administers EPGS donor funds that help to finance countries' efforts to implement the EITI and uses its operational expertise to provide implementation support to the governments of countries implementing (or considering implementation of) the EITI. Grants designed to support EITI implementation at the country level will be prepared in close coordination with the EITI International Secretariat. The EPGS Secretariat will seek their input to ensure demand responsiveness and synergies.

In addition, EPGS-2 will support capacity building efforts with CSOs to facilitate their full and meaningful participation in the MSG that oversees EITI implementation in each country and communicate EITI information to citizens. It will also support efforts to "mainstream" the transparency agenda by integration of EITI reporting in government information systems and making available timely and relevant data for decision-making processes, such as in budget preparation. Funding for all parts of this component will be used to support governments at the national and subnational levels. This component will also provide global knowledge and learning products via studies designed to advance the extractives sector's transparency.

Component 1 has a strong link to the SDGs. The EITI requires governments, companies and civil society to work together (SDG17). Transparency is an important tool in fighting corruption (SDG16), which widens inequality (SDG10), which is linked to higher poverty levels (SDG1), lower school-graduation rates (SDG4) and increased gender inequality (SDG5).

This component will allow both RE and BE for all types of activities within the general requirements and eligibility criteria for the World Bank programs.

Results Framework for Component 1

Objective: Improving extractives sector revenue transparency and efficiency of public management systems

Activity	Output	Intermediate Outcome	Outcome
<p>RE:</p> <p>EITI implementation support at the country-level including activities to close the gender gap</p> <p>Strengthening of CSO capacity to engage in the transparency agenda</p>	<ul style="list-style-type: none"> • Published EITI reports • Finalized EITI mainstreaming plans • Support to EITI data integration in PFM systems (mainstreaming) • Training and capacity building (to prepare EITI candidature and implementation or facilitate the broader sector transparency reform) of CSO and other stakeholders • Relevant guidelines 	<ul style="list-style-type: none"> • Implementing countries achieve satisfactory or meaningful progress based on the 2019 EITI Standard. • Countries' EITI candidatures are accepted by EITI. • EITI mainstreaming plans are implemented with EITI reporting linked to or incorporated in governments' PFM or other systems. • More women and women's organizations are represented in EITI MSGs. 	<ul style="list-style-type: none"> • Improved transparency and efficiency of financial management in the extractives sector in RRDCs • CSOs holding governments and companies accountable and participating in policy dialogue and public discourse • Improved gender inclusion and equality in the extractive industries • Increased impact and efficiency of the transparency agenda
<p>RE/BE:</p> <p>Support to strengthen CSO capacity to engage in the transparency agenda including activities to close the gender gap</p> <p>EITI candidature preparation</p>	<ul style="list-style-type: none"> • Training and capacity building of CSOs • Training and capacity building to prepare EITI candidature and implementation or facilitate the broader sector transparency reform 	<ul style="list-style-type: none"> • CSOs have increased capacity to advocate for accountability. • The global EITI and transparency agenda is more informed. • Public understanding of EITI is improved. 	
<p>BE:</p> <p>Generation of global knowledge and learning products to advance the extractives sector transparency agenda</p>	<ul style="list-style-type: none"> • Country-specific, regional or global studies 		

Component 2: Sector policies, regulation and institutional strengthening

This component will seek to facilitate evidence-based, inclusive sector policies, regulation and management and to provide assistance for institutional strengthening.

Natural resources are an important driver of growth in many resource-rich developing and emerging economies and are often responsible for a large share of government fiscal revenue. Equitable, fair and transparent legal and contractual frameworks and institutions capable of managing them are two of the critical steps towards ensuring that non-renewable natural resources provide a positive contribution to sustainable and equitable development.

Improving sector policies, regulations and management specifically have a strong link to two SDGs. It provides the groundwork for investment and economic growth (SDG 8) as well as access to justice (SDG 16), as demonstrated in the African Mining Legislative Atlas project financed by EGPS-1, which had made such an atlas available to the public regulatory bodies in mining in Africa.

EGPS-2 will provide assistance to the entire cycle of regulatory reforms: policy-making, public consultation, design of regulatory frameworks and their implementation.

EGPS-2 will provide support to preparatory country-specific, broad and systematic sector diagnostics for evidence-based decision-making. In this context, the Mining Sector Diagnostic tool (MSD) and the Petroleum Sector Diagnostic Methodology, developed with EGPS funding, will play an important role in assessing strengths and gaps in the sector and in providing targeted support to sector reforms in the World Bank's client countries. Institutional strengthening of regulators and other implementers of policies, regulations, and standards will also fall under this component, which will draw lessons from relevant international experience.

EGPS-2 grants will promote inclusive and participatory procedures in the design of sector reforms by supporting consultation and outreach processes, diversity (including gender diversity), and the involvement of civil society and socially disadvantaged groups.

This component will be crosscutting and include activities that relate to the other three components. It will include assistance for specific reforms that may relate to sector transparency, regulation of shared infrastructure, local benefits, environmental protection, regulation of mine closure, decommissioning of oil rigs, and closing the gender gap. EGPS-2 will include a special focus on upcoming challenges such as the need for policies and strategies that adapt to increasingly dynamic mineral, oil and gas markets as a consequence of technological development and the transition to a low-carbon economy.

This component will also support the strengthening of tax administration, which is critical to ensure the efficient mobilization of resources. Qualifying activities include capacity building to address issues related to transfer pricing and transparency of beneficial ownership, as well as taxpayer portals and tax administration procedures.

Implementation:

This component will allow both World Bank and recipient execution depending on the output. At the country level, most of the activities will be recipient executed, while the BE support will be

used to develop global knowledge products and deliver training and capacity building where suitable.

Country-specific TA can be provided as RE or, to a lesser extent, BE grants. BE grants will include sector assessments as a preparatory step for sector reform.

Generation of global knowledge (BE): Knowledge products will advance the understanding of current and upcoming challenges (in extractives sector management) and improve the quality and responsiveness of the World Bank’s support to its client countries. Grants will finance studies and dissemination of lessons via publications, workshops and conferences

Results Framework for Component 2

Objective: Facilitating evidence-based and inclusive sector policies, regulation and management.

Activity	Output	Intermediate Outcome	Outcome
RE: Country-specific TA to strengthen evidence-based, inclusive and transparent policies, regulation and management (including fiscal management and institutional strengthening) in the extractives sector	<ul style="list-style-type: none"> • Draft policy, legal and regulatory frameworks (including addressing the gender gaps in the EI) • Sector management assessments and guidelines (including fiscal management) • Training/workshops for government agencies, CSOs and other stakeholder groups to support the above • Consultation processes 	<ul style="list-style-type: none"> • RRDC governments undertake regulatory or policy reforms as a result of evidence-based analyses. • Governments undertake consultations with CSOs. • Governments adapt their policies and policy implementation to current and upcoming challenges and opportunities • The capability of government institutions in the extractives sector is strengthened. • Informed stakeholders (including marginalized populations and women) participate in consultation processes • Governments develop and adopt gender equality policies for their extractives sector. 	<ul style="list-style-type: none"> • Extractives development and production takes place in a more responsible and efficient manner. • There is greater gender equality in sector regulation and in sector practices. • Domestic oil and gas markets are more competitive.
BE: Country-specific TA to strengthen evidence-based, inclusive and transparent extractives policies, regulation and management	<ul style="list-style-type: none"> • Current-state analysis, studies and recommendations on transactions, policies and regulations in the extractives sector • International lessons in institutional strengthening and policy implementation tailored to specific country circumstances • Training of relevant stakeholder groups • Consultation processes 		
BE: Generation of global knowledge and learning products to advance the understanding of current and upcoming challenges (in extractives sector management) and to improve the quality and responsiveness of the World Bank’s support to its client countries	<ul style="list-style-type: none"> • Country-specific, regional or global studies on transactions, policies and regulations (including addressing the gender gaps) in the extractives sector 		

Component 3: Local value and diversification

This component will focus on enabling shared value at the national and local level.

While local content policies have the potential to stimulate broad-based economic development, their application in RRDCs has achieved mixed results. The industry typically uses specialized input, sourced through globally integrated supply chains. Supplier concentration at the international level is high, complicating the market entry of newcomers and the development of a local supply sector.

An increasing number of studies hint at additional barriers for local development in the context of increasing automation in mining. Specifically, automation of the mining, oil and gas industry are expected to have substantial national and local socio-economic impacts. The first fully automated mine operation in Africa, set out to be built in Mali, marks an important milestone. The increasing technological gap between mining operations and local capacity, combined with declining demand for labor force in mining operations will add to the existing challenges of linking mining, oil and gas operations, to the local economy.

Especially in Africa, many countries show a high economic dependence on mining, oil and gas resources. Yet the domestic markets are generally too small to provide for the scale effects necessary to compete in the supply industry. In a context of little intra-African trade and commerce, regional expansion of supply industries into neighboring countries that would achieve the requisite economies of scale is not taking place. Consequently, often a very high share of the value of goods and services used in mining, oil and gas projects are imported, and local content is limited to port handling, transport services and distributorships.

In many cases, an increase in local content can succeed only in the context of a broader, structural economic reform, where local content policies are part of a wider set of policy interventions aiming to strengthen the productive structure of an economy (SDG 8). Their success depends largely on their interaction and coherence with broader economic development policies and related implementation tools. For the development of a sustainable local industrial capacity, collaboration and partnership of the government with mining, oil and gas companies, their integrated service providers, and domestic suppliers is critical (SDG 17).

This component is designed to support the development of sustainable and resilient local economies in mineral and hydrocarbons-rich countries by promoting innovation, long-term competitiveness, and regional synergies. New opportunities are created for local value and shared infrastructure (SDG 9) in the context of green growth—recent research points to a range of value-chain subsegments with high potential for local value creation and environmental sustainability. Tapping these opportunities requires bringing together government representatives, major international mining, oil and gas companies, state-owned enterprises, suppliers and associations to overcome barriers to increase the use of local goods, services, and human resources through the sharing of global good practice and the implementation of country-specific programs.

Activities will include analytical work to inform governments' decision-making regarding potential corridor and infrastructure development where mineral or petroleum resources are present. This includes energy and transport infrastructure shared with local communities to foster local development.

Research and country-specific implementation projects will focus on overcoming barriers to local content development and thus will contribute to SDG 17. Outcomes will be shared and discussed with representatives from governments, state-owned enterprises, suppliers, major mining, oil and gas companies, and CSOs.

Results Framework for Component 3

Objective: Enabling shared value at the national and local level

Activity	Output	Intermediate Outcome	Outcome
<p>RE</p> <p>Country-specific TA to improve local content policies, strategies and skills with a special focus on green growth and shared infrastructure</p>	<ul style="list-style-type: none"> • Policy papers and regulatory frameworks • Scoping, pre-feasibility and feasibility studies • Programs to develop skills and local suppliers, training and capacity-building activities, especially to foster women’s participation 	<ul style="list-style-type: none"> • Governments make evidenced-based and informed decisions on EI-led local economic diversification policies and shared infrastructure • Stakeholders benefit from improved knowledge of EI-led local economic development policies that consider gender equality 	<ul style="list-style-type: none"> • Increased EI-led local economic development, diversification and green growth • Increased mining-, oil- and gas-related shared infrastructure • More participation of women in local value chains
<p>BE</p> <p>Country-specific TA to improve strategies and skills for local content, green growth and shared infrastructure</p> <p>Generation and sharing of global knowledge and learning products on local content, green growth and shared infrastructure</p>	<ul style="list-style-type: none"> • Scoping and pre-feasibility studies, guidance notes and development plans that are inclusive (government agencies, extractives producers, suppliers and CSOs) • Skills development programs, training and outreach activities • Global and local knowledge products and exchange 		

Component 4: Local communities and ecosystems

This component will strengthen community benefits for all and mitigate environmental impact.

Many countries have financed their development through resource extraction. Environmental degradation, gender-based violence, disruption of community structures rank among the most challenging unintended consequences on the ground. Such negative outcomes of resource extraction, however, are not inevitable.

Activities in component 4 will seek to minimize environmental impact of extractives industries as well as support the development of workable solutions and remedies to mitigate their adverse effects, thereby directly contributing to SDG 12 (sustainable production) and SDG 17 (diversity, forests, desertification). The component will also include advice on how to better assess and mitigate social, health and livelihood effects, thereby contributing to public health (SDG 3) and local economic development (SDG 8). This includes addressing the gender and other identity-factor-differentiated impacts of EI activities, implementing policies and strategies to increase the meaningful economic engagement of women (in good employment, local procurement and decision-making, and gaining greater respect for women's rights), and combatting discrimination, harassment and violence.

The importance of environmental protection and social inclusion in EI operations has changed over the last decades, from being a marginal aspect of operations to becoming decisive preconditions for obtaining the (social) license to operate. Environmental considerations are continuously evolving and affected stakeholders claim active participation in decision-making. EGPS will engage in consolidating environmental protection and community benefits and include a focus on upcoming challenges. Possible areas include the following:

- *Digital technologies* have created new opportunities for active community engagement. Enhanced information sharing about revenues from the extractives sector, and environmental impact as well as participation of local communities in decision-making have been piloted by the World Bank Group. EGPS seeks to build on this work.
- *Mine closure and abandoned mines* bring about technological and social challenges. Specifically, the global transition to low-carbon economies will have a profound social impact in coal-producing regions. EGPS has been instrumental in funding research on impacts (with a special focus on gender), opportunities for repurposing land, and mitigating methane emissions from abandoned coal mines.
- *Decommissioning of offshore oil and gas installations* needs to be carried out in an environmentally responsible manner. Many established hydrocarbon provinces worldwide are facing the challenges of aging offshore oil and gas platforms, subsea wells and related assets. Global decommissioning expenditures are projected to increase substantially from current levels, reaching \$13 billion per year by 2040. Rules and regulations for the decommissioning of offshore facilities are often complex, covering technical and engineering solutions for the abandonment of wells and removal of facilities, mitigation of environmental impacts, liabilities, and associated tax and financial implications.
- *Deep sea mining*, a potentially important source of income for small islands, needs measures to ensure the effective protection of the marine environment from harmful effects. EGPS has been active in this area in Papua New Guinea and other Pacific island countries.

The Extractives Unit is also hosting the Global Gas Flaring Reduction (GGFR) partnership, designed to reduce gas flaring and make this wasted resource available for economic growth and development, as well as the Climate Smart Mining (CSM) MDTF that focuses on supporting a close link between the transition to a low-carbon economy and an expected increase in demand for minerals. The CSM trust fund was established as the result of the findings of the report, *The Growing Role of Minerals and Metals for a Low Carbon Economy*, funded by EGPS. While the EGPS will be careful to avoid an overlap with the CSM and GGFR, an association with both facilities is possible at a later stage in the context of the ongoing Umbrella 2.0 Trust Fund Reform. In both cases, the EGPS results framework would have to be adapted.

Component 4 will include a focus on Artisanal and small-scale mining. This focus will build on the previous work conducted by the World Bank through EGPS with specific programs supporting formalization of ASM, the creation of transparent and responsible trade chains, mitigating environmental impacts, and strengthening the role of women to gain equal access to EI-related benefits. The mitigation of impacts on women and vulnerable and marginalized people in ASM contributes to SDG 1, while Improvement of market access of ASM will contribute to local economic development (SDG 8).

Implementation:

Component 4 will allow both BE and RE, with the exception that World Bank execution will exclude any activities that have a specific footprint (be that a concession area or a design of a resource corridor). BE activities will include global knowledge products, training and development and dissemination of good practices.

Results Framework for Component 4

Objective: Strengthening local community benefits for all and mitigating adverse impacts on local ecosystems

Activity	Output	Intermediate Outcome	Outcome
<p>RE:</p> <p>Country-specific support to</p> <ul style="list-style-type: none"> • facilitate benefits for local communities; • advance the sector’s environmental sustainability; • promote ASM formalization; and • encourage gender equality 	<ul style="list-style-type: none"> • Sector assessments • Multi-stakeholder dialogue and proactive citizen engagement and participation in decision-making • Draft policy, regulations and sector management recommendations based on good practices, including gender impact assessments • Training workshops and broader capacity building 	<p>Governments update laws, regulations and procedures and strengthen institutional enforcement capacity to:</p> <ul style="list-style-type: none"> • improve environmental performance of the sector; • engage local communities in decision-making; • improve community benefits and promote gender equality; and • formalize ASM. 	<ul style="list-style-type: none"> • Improved social and environmental performance of the extractives sector in RRDCs • Increased community benefits from extractives for all • Increased formalization of ASM production, with improved social and environmental performance
<p>BE:</p> <p>Country-specific or global knowledge work to advance the extractives sector’s environmental sustainability, local community benefits, ASM formalization and gender equality</p>	<ul style="list-style-type: none"> • Knowledge products, sector assessments and analytical reports, frameworks, guidelines and recommendations based on good practices • Multi-stakeholder dialogues on social, environmental, gender and health impacts of extractive industries • Training and capacity building for government and civil society 	<p>Ministry staff, private sector, and CSOs benefit from improved knowledge of environmental performance, community benefits and gender equality in the extractive industries</p>	

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