CANADIAN FACILITY FOR THE EXTRACTIVE SECTOR (CANEF) – RG-X1262

PROGRAM OPERATIONS MANUAL (POM)

The Program Operations Manual of the Canadian Facility for the Extractive Sector is structured in three sections: (1) Governance, which describes the Facility management structure; (2) Sub-projects, which provides details on Subproject design priorities and approval procedures; and (3) Detailed Results Matrix, which includes more detailed information on the Facility's strategic goals and performance indicators.

I. GOVERNANCE

- 1.1 The Canadian Facility for the Extractive Sector (CANEF) will finance the implementation of technical assistance subprojects and activities on a non-reimbursable basis. In addition, it will finance consulting services to carry out the evaluation and implementation of the facility.¹ Subprojects will reflect strategic priorities outlined in the Facility document (RG-X1262), and will be prioritized according to their potential contribution to the Facility's goals. Subproject implementation will be contingent on their approval as per the IDB guidelines, rules and procedures for Technical Cooperation projects.²
- 1.2 The Bank will be the Executing Agency of the Facility. Notwithstanding this, the subprojects to be financed with resources of the Facility for Components 1 and 2 may be executed by other eligible entities, in accordance with the Bank Policy on Technical Cooperation.
- 1.3 The Facility's foremost priority will be to deliver on its promises, through close monitoring of activities, an encompassing communications strategy, and strategic partnerships with relevant stakeholders, from Canada in particular.
- 1.4 The Facility will be managed by a small team, led by a General Coordinator (GC) supported by an Operations Team (OT). The GC will coordinate and monitor Subproject Team Leaders (TL) responsible for the design and execution of sub-projects.
 - a. **General Coordinator (GC):** will be CANEF's focal point. The GC is the Team Leader of the Project Specific Grant. The GC will represent (and designate delegates to represent him if needed) the Facility in engagement with internal and external stakeholders, and manage the overall execution of the Facility. The GC will supervise achievement of strategic milestones, budget execution, monitoring, etc. The GC will coordinate the annual meeting with the focal point designated by Global Affairs Canada to provide an overall assessment of the program's progress and results, and ensure that the donor is adequately involved in the implementation of the Facility. The GC will also provide authoritative technical

¹ Expenses related to the supervision and monitoring of subprojects in execution, including travel expenses of Bank staff for such purposes. However, the resources of the Facility may not supplement the budget of an IDB department of division for routine and customary activities.

² All CANEF sub-projects will be subject to screening, review, and categorization according to their potential impacts on the environment and on communities by the Social and Environmental Safeguards Unit (VPS/ESG). Projects assessed as having a potential for significant social and/or environmental impact risks will be required to include a member of VPS/ESG Unit as part of the project team and provide risk mitigation plans.

guidance to ensure that all Facility Subprojects are compatible with CANEF strategic goals, and that they operate in an integrated manner. The GC will liaise with the donor, external experts, and relevant IDB stakeholders (such as the Social and Environmental Safeguards and the Legal Unit) to determine the subprojects to be financed by the Facility.³

- b. **Operations Team (OT):** will provide technical and administrative support to the GC, including (but not limited to) the comprehensive and orderly filing of information related to the Facility, facilitation of travel logistics with regards to execution missions, and IDB inter-departmental activities. Under the supervision of the GC, the OT will support subproject design and implementation efforts (including monitoring), review technical documentation generated by the Facility (to ensure quality and fit with IDB standards, guidelines and procedures), and support the implementation of a communications strategy. The OT will be composed by two dedicated externally-funded consultants (EFC); IDB Staff and Complementary Workforce may also integrate the OT.⁴
- c. **Subproject Team Leaders (TL):** will operate in close collaboration with the GC and OT. TL will be responsible for the design and execution of CANEF sub-projects, and for obtaining approval of the sub-projects. TL will provide technical support and oversight for subprojects executed by external agencies, as per the IDB Policy on Technical Cooperation.
- 1.5 The GC, with the support of the OT and IDB's Social and Environmental Safeguards Safeguards (VPS/ESG) Unit, will work closely with the TL to identify and solve challenges that may arise during the design and execution of specific activities, including environmental issues, inclusion of indigenous peoples, resettlement, labor, gender equality, and health and safety concerns (for additional information see IDB Social and Environmental Safeguard Policies). The GC will seek to ensure the thoughtful application of safeguard policies, standards and guidelines, and to ensure that beneficiaries of the Facility can thrive in the long term; to this end, the Facility will draw from IDB-wide and external expertise, from knowledge gathered in past IDB activities in the extractive sector, and from the lessons learned from the evaluation of Facility-sponsored activities.⁵

³ The GC will participate in all Facility sub-project as a team member, and as required, may also lead sub-projects.

⁴ The Social and Environmental Unit will assign a focal person to liaise with the GC and OT.

⁵ In addition to the Project Completion Reports (PCR) for past IDB investment projects in extractives, the Program is informed by recently published relevant research on key sector issues, such as governance and transparency (as can be seen in the book "<u>Transparent Governance in an Age of Abundance: Experiences from the Extractive Industries in Latin America and the Caribbean</u>"), the role of public institutions in promoting cleaner operational practices in the mining sector ("<u>Incentivizing Clean Technology in the Mining Sector in Latin America and the Caribbean</u>: The Role of Public Mining Institutions"), investment and market trends ("<u>Financing the New Silk Road</u>: Asian Investment in Latin America's Energy and Mineral Sectors"), Energy sector assessments ("<u>Energy Dossiers</u>"), and other relevant internal and external publications.

II. SUBPROJECTS DESIGN AND APPROVAL

- 2.1 CANEF resources will support projects region-wide, including in A, B, C, and D countries, as defined by the Bank.⁶ The experience of resource-rich countries⁷ in the LAC region, including Bolivia, Chile, Colombia, Ecuador, Mexico, Peru, Trinidad and Tobago, and Venezuela, will be given particular consideration. Project proposals for implementation in middle-income countries will include a strong component for knowledge transfer to low-income countries in the region. In addition, CANEF will actively seek opportunities to engage with Canadian organizations and support Canadian efforts in the LAC region.
- 2.2 Subprojects may be designed to deliver on the Facility's strategic pillars in isolation, as well as on comprehensive initiatives (encompassing multiple objectives). However, CANEF-sponsored subprojects must contribute to the Results Matrix as a condition for eligibility and the target areas described in each component.
- 2.3 In designing CANEF sub-projects, TL will be expected to credibly demonstrate the project's potential to:
 - a. Address knowledge gaps and/or resource governance challenges relevant to the demands and needs of beneficiary countries.
 - b. Function on a sustainable basis and with measurable impact on the specific strategic priorities of the Facility (the means of continuity after project completion, outlined in a post-project plan, ideally with support from external partners).⁸
 - c. Mainstream gender equality and diversity, and environmental sustainability issues;
 - d. Transfer generated knowledge to the public and to the private sector, and from middle-income countries to low-income countries.
 - e. Convene public and private actors to foster dialogue and knowledge exchanges among stakeholders.
- 2.4 In addition, Subprojects will be assessed by the GC on their potential to:
 - a. Foster institutional partnerships, leverage established expertise, and operate on the basis of a dialogue with organizations already operating in the sector (i.e. potential to support the alignment of strategic development agendas and initiatives).

⁶ The IDB groups its borrowing member countries on the basis of their relative level of development within the region. Group A: Argentina, Brazil, Mexico, and Venezuela. Group B: Chile, Colombia, and Peru. Group C: The Bahamas, Barbados, Costa Rica, Jamaica, Panama, Suriname, Trinidad and Tobago, and Uruguay. Group D: Belize, Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Nicaragua, and Paraguay.

 ⁷ CANEF defines mineral- and hydrocarbon-rich countries as those that meet either of the following criteria: (i) an average share of hydrocarbon and/or mineral fiscal revenues in total fiscal revenue of at least 25%; (ii) an average share of hydrocarbon and/or mineral export proceeds in total export proceeds of at least 25%," in line with the IMF Guide on Resource Revenue Transparency (2007).

⁸ Potential external partners include organizations such as the World Bank Group, UN agencies (UN Development Programme, UNDP, UN Environmental Programme, UNEP, etc.), regional and national development banks, national entities (such as the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, IGF), industry associations (International Council of Minerals and Mining, ICMM, Global Oil and Gas Association, IPIECA), expert networks (World Economic Forum), civil society organizations, etc.

- b. Disseminate lessons learned⁹ about successful solutions to challenges in the extractives sector (with particular attention to social and environmental issues).
- c. Strengthen IDB internal collaboration mechanisms (including private and public sector).¹⁰
- 2.5 CANEF will support the generation of new information and knowledge about challenges and opportunities in the extractives sector in LAC, and the dissemination of recognized successful initiatives and practices. As part of its remit, it will finance the development of:
 - a. Regional digital maps including layered information on resources and reserves, extractive projects, and information on socially and environmentally sensitive areas and socio-demographic factors, with a gender focus approach.
 - b. Institutional mappings of the industrial organization and legal framework of the extractives sector for the most relevant countries in the region in order to identify strengths and weaknesses, similarities and differences between the countries in the region.
 - c. Policy briefs exploring the timing of resource exploitation, public and private channels for consumption and the balance between spending, investing and saving of the revenue stream.
 - d. Scoping studies assessing the feasibility (institutional, economic, financial and commercial) and needed sequencing for the development of training and capacity building platforms.
 - e. Public management strengthening strategies, including revising legislation and providing technical support (consultancies, action plans, draft regulatory frameworks) to comply with international standards to enhance transparency.
 - f. Social and environmental monitoring: encouraging governments in promoting legislation and policies that will reduce gender gaps and strengthen social and environmental performance, with a component specifically addressing issues of transparency, participation, and sustainability in the extractive sector.
 - g. Scoping and planning peripheral infrastructure investments: technical cooperation for modelling requirements and tradeoffs for the development of sustainable sources of basic inputs (land, energy, water, labor, etc.).
- 2.6 CANEF will seek to disseminate lessons learned, best practices, and methodologies, by supporting concrete initiatives such as:
 - a. Conferences, fora, workshops and roundtables, which will give the opportunity for a large number of stakeholders to engage on the interventions conducted by the Facility, and facilitate networking among public and private institutions in the region

 ⁹ Dissemination through a variety of concrete knowledge transfer tools, including -but not limited- to: (i) publication of reports, policy briefs, and other relevant knowledge products that transparently outline technical issues, policy preferences, commitments, and recommendations; and (ii) conferences, fora, workshops, roundtables, study tours, experts visits, social media, and capacity-building.
 ¹⁰ The Facility will seek coordination with critical Departments of the IDB, such as the Gender and Diversity

⁰ The Facility will seek coordination with critical Departments of the IDB, such as the Gender and Diversity Division (GDI), the Social and Environmental Safeguards Division (ESG), the Institutions for Development Sector (IFD), the Infrastructure and Environment Sector (INE), private sector windows (MIF, SCF, etc.), as well as Country Offices. It will also contribute to multi-donor regional initiatives such as Transparency Trust Fund (TTF) –a jointly funded initiative by IDB, the Governments of Norway and Canada, and MasterCard Inc.

that are implementing or have the potential to implement actions or programs to support compatible efforts in the extractive sector.

- b. Capacity building activities for key stakeholders involved in the execution of projects (government, CSOs, financial institutions, business associations, community groups, etc.), including study tours for stakeholders in low-income countries, which will provide an opportunity for organizations interested in scaling an intervention funded by the Facility to meet with the project teams and learn about the methodologies used, lessons learned they should be aware of and good practices.
- c. Participation in strategic knowledge partnerships, such as the International Council on Mining and Metals, the Intergovernmental Forum on Mining. Minerals, Metals and Sustainable Development, the Extractive Industries Transparency Initiative, and other initiatives.
- 2.7 This knowledge transfer approach will enable private sector entities, governments, business development organizations, chambers of commerce, professional associations and other stakeholders to increase the effectiveness of their interventions in the LAC region. In addition, this exercise will also greatly facilitate developing synergies and avoiding overlaps with other existing initiatives.
- 2.8 The deployment of activities associated with this Component 2 might require the identification of suitable partner private sector companies. Prior to formal engagement with prospective private sector partners, TL will liaise with the relevant Regional Manager and Country Office Representative to respond to formal requests of technical assistance, and obtain no-objection from government authorities to in-country CANEF-sponsored activities. Key areas of intervention by country (sequencing, and beneficiary countries) will be outlined in the Master Work Plan (See Kick-Off Activities in the section below).
- 2.9 Supporting information for identification and selection of potential private sector partners will be reviewed by TL with the support of the Social and Environmental Safeguards Unit and the Legal Unit of the IDB. Eligible private sector partners will be expected to comply with good international industry practices, and the national regulatory framework. It is expected also that candidate partners are benefiting of an overall community support.¹¹
- 2.10 Potential private sector partners will be invited to provide information on:
 - a. Company and Project Profile: Company/consortium (including compliance with voluntary international initiatives and standards),¹² in-country project(s) location (property, project life, etc.) and development status, including economic analysis, production and processing plans.

¹¹ Projects ("anchor projects") led by private sector partners in beneficiary countries will have CAPEX exceeding US\$1 Billion over a 15 year period, and will not be dedicated to the production, trade or use of coal and radioactive ores.

¹² Such as compliance with Extractive Industry Transparency Initiative requirements, the Sustainable Development Framework of the International Council on Mining & Metals, the Conflict-Free Gold Standard of the World Gold Council, the International Cyanide Management Code, the ISO 14 001 Standard on Environmental Management Systems, the OHSAS 18 001 on Occupational Health and Safety Management Systems etc.

- b. Economic Impact: Project(s) capital and operational expenditures, past and projected payments, forward linkages, and peripheral infrastructure availability/requirements.
- c. Social and community components: Community profile, main socio-economic impacts, stakeholder engagement and social investment activities and plans and, overall support to the project. In addition, if available, CAFE would review Environmental and Social Impact Assessment and related studies and plans (e.g. Resettlement Action Plan).
- d. Environmental components: Management of main environmental impacts associated with the mining project, such as water use and quality (acid rock drainage, groundwater), waste (tailings, waste rock dumps), hazardous waste (cyanide), land use and biodiversity, and air quality.
- e. Potential to support the post 2015 Sustainable Development Goals¹³ and to bolster the UN Global Compact, which is a call to companies to align strategies and operations with universal principles on human rights, gender equality, labor, environment and anti-corruption, and take actions that advance societal goals,¹⁴ and:
- f. Additional elements, identified in the context of Kick-Off Activities (detailed below).
- 2.11 **Kick-Off Activities:** Upon approval of the Facility (RG-X1262) by IDB authorities and the donor, the GC will execute a kick-off subproject aimed at formalizing the following components:
 - a. **Master Work Plan and Communications Strategy**. A five-year detailed activity and strategic outreach/communications work-plan. It will provide details on the specific subprojects/activities to be supported by the Facility, and on their implementation. The master work plan will serve as the Facility's operational agenda. If needed to improve the Facility's effectiveness, the work-plan may be amended over the course of the Facility's execution. The work plan will be developed on the basis of a detailed assessment of critical social and environmental issues monitored by the Facility, and the overarching structure to address these challenges through an integrated project approach. The Master Work Plan and Communications strategy is expected to be completed 6-7 months upon launch of the kick-off subproject.
 - b. Template for Subproject screening and evaluation. This template will help the GC ensure that Subproject proposals are aligned with the Facility's strategic goals. It will facilitate sharing best practices and providing tailored practical advice to TL, especially at the time of activity design. Expectations from TL will not just be that they have 'knowledge of IDB's policy on social and environmental safeguards,' but also that they actively contribute to promoting these principles throughout the implementation of Facility-sponsored activities.

¹³ Draft outcome document of the United Nations summit for the adoption of the post-2015 development agenda. Available from: http://www.un.org/ga/search/view_doc.asp?symbol=A/69/L.85&Lang=E

¹⁴ Extractives can impact all 17 SDGs, to varying degrees, across a wide range of issue areas that present both challenges and opportunities. Challenges require mitigating the negative externalities; opportunities require enhancing the positive impacts. The specific opportunities and implications of the SDGs, targets, and actions will differ depending on company strategy, commodity, location, and project cycle stage.

- c. **Monitoring Framework**. The Facility will periodically monitor Subproject performance, and report on the Facility's aggregate effect on social and environmental aspects. The Facility will prepare structured annual reports on its overall performance and on the activities it supports, and will share these assessments with the donor. The Facility will use its monitoring framework as a means to continually improve its performance.¹⁵
- d. **Knowledge Repository**. The Facility Management team (GC and OT) will develop and keep an updated repository of model Projects and Terms of Reference, work plans, and final reports. The Facility will draw from these documents to (i) build practical knowledge on successful initiatives in the extractive sector, and (ii) network with other donors and multilateral partners to share lessons and build capacity (on gender equality and environmental sustainability in particular) in evaluation.
- 2.12 Upon completion, the deliverables of the kick-off subproject will be shared with Global Affairs Canada for comments and suggestions, including implementation of corrective actions.
- 2.13 **Annual Meeting**: The annual meeting with the donor will provide an opportunity for the review of the progress and results of the Facility, as well as its workplan. In this context, the donor may recommend corrective actions and adjustments to ensure the Facility's performance is aligned with its purpose.
- 2.14 In addition to annual reporting and meeting, the donor may request at any time an update on implementation progress and on the status of the Facility from the General Coordinator.

¹⁵ For example, in order to proactively reduce gender-inequality and to promote women's empowerment, and mitigate potential risks associated with the Facility's activities the Facility will support activities such as: (i) trainings on gender equality for counterpart and implementing agencies staff (ministries, private companies, etc.) and support for equal hiring practices; (ii) gender-sensitive assessments of legal and regulatory frameworks and support for social and environmentally-sensitive policy design and implementation; and (iii) support for inclusive consultation processes (with the participation of different groups, particularly women and when appropriate of indigenous people and afro-descendants) to ensure equal participation as decision-makers. All data collected through this Facility to monitor impacts associated with these activities will be disaggregated by sex and, when possible, by race/ethnicity (particularly in countries or regions with a high percentages of indigenous people and afro-descendants) and age.

III. DETAILED RESULTS MATRIX

- 3.1 The Facility's subprojects will be designed, screened and evaluated against their contribution to strategic goals and performance indicators suggested in the Results Framework (also referred to as Logical Framework) included in the Facility document. The results framework encompasses activities from both Component 1 and 2 of the Facility.
- 3.2 The detailed Results Matrix, included below, provides additional information on the expected outcomes, outputs, and activities of the Facility:

| Facility Objective: Support for the promotion of innovative and sustainable solutions for challenges in the extractive sector (including on social and environmental issues) | | | | | |
|--|--|---|--|--|--|
| Expected results | Facility and Project-level Indicators | Targets | Data Source | | |
| Components 1 and 2 Outcomes: Enhanced regional and country resource governance capacity and stakeholder relations | | | | | |
| Intermediate Outcome (1) Strengthened resource governance | Sector information and knowledge (with focus on institutions, regulations, contracts, and resources) at the regional and country-level; Institutional strengthening (international standards, transparency initiatives, such as EITI) at the national level Technical capacity building programs at the regional and country-level for public management strengthening; improved sector governance Integrated governance tools (with focus on integrated assessment/modelling, sector intelligence) at the regional and country-level; | 10-30 activities 10-30 activities 10-20 activities 5-15 activities 3-26 participating countries | Project reporting and monitoring data Government notification Media outlets Government documents IDB Publications Attendance reports from partner organizations/IDB | | |
| Immediate outcomes Improved: (i) Availability of sector information; (ii) Institutional and regulatory frameworks (iii) Resource governance capacity, | # of requests for support # of knowledge products for Facility stakeholders # of knowledge products used for resource governance policymaking # of activities to support institutional/regulatory strengthening initiatives (incl. international standards, initiatives such as EITI) # of capacity building activities (incl. number of direct and indirect beneficiaries; disaggregated per gender and relevant sociodemographic categories) # of integrated governance models (nexus analyses, energy/water/land-use demand projections) | 5-15 requests 30-90 knowledge products 10-15 products used for policymaking 3-5 activities for institutional strengthening (international standards) 3-10 capacity-building activities 100+ participants (beneficiaries) 3-5 integrated governance models | | | |
| Outputs (i) Reports, assessments, policy briefs, etc. (ii) Capacity-building programs/ workshops | Reports, publications and other knowledge products available to the public (in english/spanish/portuguese/other languages) Integrated datasets (available to the public; geo-referenced region-wide and country-specific) Capacity-building programs for the development of strategic planning, negotiation, and enforcement capabilities in the public sector (incl. contract analysis expertise) | | | | |
| Example Activities | Regional resource regulatory framework assessment methodology; Country-level institutional architecture analysis; Scoping studies and recommendations for implementation of international standards, initiatives. Capacity-building programs/workshops on productive planning, regulatory effectiveness, communications Country and regional long-term scenarios for the energy, water, and land-use nexus (under economic growth, sector development, and climate change assumptions) | | | | |

| Intermediate Outcome (2) | 5 5 1 5 | 3-15 activities | |
|--|---|---|--|
| Enhanced information management systems and cross-sector collaboration | Visualization and dissemination tools (for increasing public | 3-15 activities3-26 participating countries | Project reporting and monitoring dataGovernment notification |
| Immediate outcomes Improved public sector: (i) Information management systems (ii) Cross-sector collaboration | # of knowledge products for Facility stakeholders # of knowledge products used for information management strengthening # of mechanisms/tools for cross sector collaboration | 5-15 requests 5-15 knowledge products 5-50 Mechanisms/tools designed (5-15 implemented) | Media outlets Government documents IDB Publications Attendance reports from partner organizations/IDB |
| Outputs (i) Information management platform | Reports/Analyses of information management infrastructure gaps (at the Information management infrastructure (cadastres) Information accessibility Mechanisms for standarization and Exchange of sector information Knowledge management strategy IT and communications assessment and planning | he sector, subnational level), ir | cluding cadastre/land-use, licensing systems, etc.) |
| Example Activities | Georeferenced information management platforms for the sector Support for enhanced socio-environmental safeguard monitoring and resource scope and support enhanced information transparency and communic | | |

| Intermediate outcome 3: Enhanced stakeholder engagement effectiveness | Regional stakeholder engagement platforms/events Support for established international and regional dialogue initiatives | 5-50 activities 5-25 activities 100-1000+ beneficiaries in 5-26 participating countries | Project reporting and monitoring data Government notification |
|---|---|--|---|
| Immediate outcomes Improved regional and country-level: (i) Public participation mechanisms (ii) Opportunities for alignment of stakeholder priorities/expectations | # of events/mechanisms contributing to enhanced stakeholder engagement on resource governance # of platforms for stakeholder dialogue # of activities facilitating engagement of disadvantaged groups in stakeholder dialogues # of requests made to the Facility to arrange for study tours | 5-15 activities 5-15 activities 1+ new dialogue venues (fora, workshops, training sessions) 2-15 requests for study tours (2-15 executed) | Government notification Media outlets Government documents IDB Publications Attendance reports from partner organizations/IDB |
| Outputs Stakeholder dialogues, technical workshops (on domestic/local operational and regulatory standards; decision-making, etc.) | Engagement and dialogue venues/instances/events Events supporting participation and empowerment of disadvantaged groups (on FPIC, ILO 169, etc.) Strategic stakeholder engagement initiatives, including targeted technical networking efforts | | |
| Example Activities | Knowledge exchange programs for regulatory agencies (Alberta Energy Board, National Regulatory Agencies) Regional platform for technical knowledge transfer and dissemination Support for regional stakeholder events (EITI, IGF, OLAMI, CSR, etc.); on the adoption of FPIC best practices, ILO 169, etc. | | |