

**Supporting Inclusive Resource Development (SIRD)
East Africa
TRAINING PROGRAM
2019**



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Mining Community Development Agreements : Source Book



ABSTRACT VIEWS

1,329



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The World Bank oil, gas and mining unit, in its capacity as a driver for best practice related to extractive industry contributions to poverty alleviation, has a strong interest in the sustainable development of mine-impacted communities. As part of the growing global expectation that the extractive industry should contribute positively to long-term local development, a discourse has grown surrounding a variety of structures and processes aiming to deliver development benefits to communities affected by mineral resource projects. Examples of these strategies include social/community investment programs, development forums, community-controlled trusts, development funds, and foundations. These strategies may be led by government, the companies, the impacted community, or through collaborative bilateral or multi sector partnerships and agreements. They may be a regulatory requirement or negotiated voluntarily in response to mining companies' commitment to corporate social responsibility (CSR) principles. This document describes some of the main considerations and processes regarding the development and implementation of these strategies, specifically in relation to Community Development Agreements (CDAs). In the last few years the World Bank oil, gas and mining unit has worked to analyze CDAs within the mining sector as an instrument for more sustainable and equitable benefits. This process of analysis and research has involved a series of reports by the World Bank and external specialists aiming to provide technical input on the process, case studies, lessons learned, and best practices for CDA development. This report builds on previous studies to deliver a knowledge product on CDA development with the aim of providing specific assistance to the process and delivery of CDAs. This source book has been developed from learnings relating to existing regulations/



Resource Development Agreements

- Alternatives
- Why resource development agreements?
- Oil and Gas - Terms
- Mining - Terms



Oil and Gas – Production Sharing Contracts (PSCs)

- **State** Contracts with international oil company (**IOC** or **Contractor**)
- State or National Oil Company (**NOC**) takes delivery of a share of production
- IOC granted exclusive exploration and development rights in the **contract area**
- IOC assumes all risk in exchange for portion of production and recovery of costs
- State retains ownership of the resource



Alternatives to PSCs

- Licence/Lease (free entry system in Canada)
- Concession
- Service Contract
- Joint Venture



Typical PSC Terms

- Parties
- Term
- Minimum work obligations
- Operations and control
- Work program and budget
- Relinquishment/Surrender



Typical PSC Terms

- Commercial Discovery
- Cost Recovery
- Production sharing
- Bonus/Taxation/Royalty
- Participating Interests
- **Community Development**

Typical PSC Terms

- National Economic Interest
- Currency exchange control
- Stabilization
- Title to assets
- Force majeure
- Indemnities/liabilities

Typical PSC Terms

- Assignment
- Security for loans
- **Environment**
- Termination
- Confidentiality
- Dispute resolution
- Anti-bribery/corruption

Mining Agreements

- Mining Agreements: a contract between a company and a government addressing exploration or extraction of minerals from that government's territory.
- Stabilization Agreements: more general arrangement between a government and a business (which does not have to be a miner) aimed at giving certainty or assurance about the conditions under which the investment will occur.



Mining Agreement Terms

- Coverage – all or part of mining cycle, economic development, environmental obligations?
- “Standard” or negotiable?
- Term
- Ownership interests
- Stabilization/renegotiation
- Disclosure/confidentiality
- Third parties and enforcement



Mining Contracts – Five Tips for Governments and the Rest of Us

Help is available – use it! Getting good advice and support for negotiations and implementation of deals is worth it. The up-front investment can pay off many times over. Plus, more facilities now offer support to governments to ensure they are able to obtain a **good deal for the country (including the World Bank’s own [Extractive Industries Technical Advisory Facility](#) and Africa specific trust fund).**

Seek balance beyond just the fiscal terms. Not only do governments need to look at the right mix of royalties and taxes, but factor in their demands in terms of shared infrastructure, and creation of local jobs and economic opportunities. The trade-offs are ever more complex. Ensuring third party usage of a rail line might require a concession on royalty rate.

Mining Contracts – Five Tips for Governments and the Rest of Us

The contract can be a vehicle for development. The contract can form a framework to ensure that the benefits of mining are shared - down to the subnational level. This is particularly true in contexts where the legal and regulatory frameworks are not yet in place or updated, meaning more details are specified in the contract document itself. Contracts can help determine not just revenues, but resulting jobs, environmental protections, and infrastructure legacy.

Publish! Traditionally, mining contracts have been secret, but there is a growing trend towards transparency. There is growing evidence that disclosure prompts greater understanding and analysis of deals, more effective monitoring of their implementation, and a stronger knowledge base to inform negotiation of future deals in the public interest.



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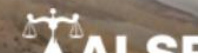
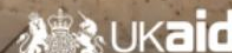
Income tax: exemptions >

Local employment >

PARTNERS

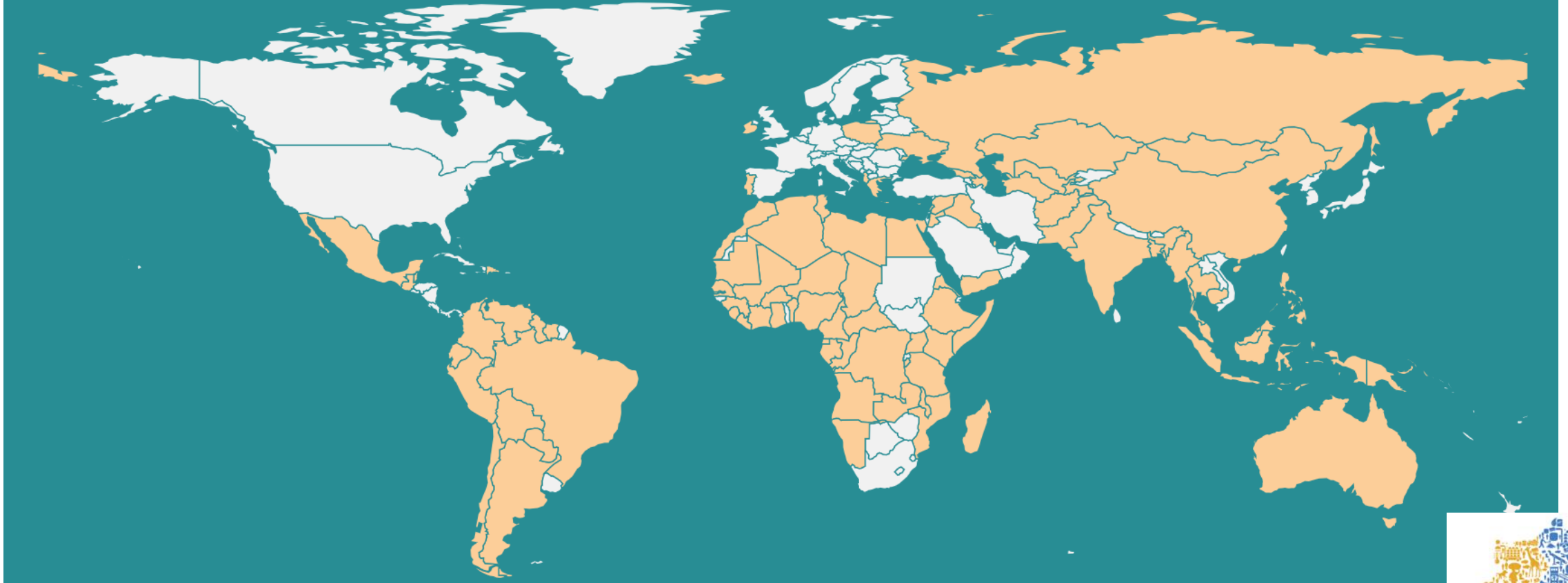


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