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PROJECT PAPER

FOR

SMALL RETF GRANT

IN THE AMOUNT OF US\$300,000
EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (EITI) MDTF

TO THE

GOVERNMENT OF GUATEMALA

FOR A

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)
POST-COMPLIANCE I GRANT

April 1, 2015

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CURRENCY EQUIVALENTS
(Exchange Rate Effective December 31, 2014)

Currency Unit:

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
COP	Community of Practice
COPRET	Commission on Transparency and Electronic Government
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CSO	Civil Society Organization
EGPS	Extractives Global Practice Support
EI	Extractive Industries
EIR	Extractive Industries Review
EITAF	Extractive Industries Technical Assistance Facility
EITI	Extractive Industries Transparency Initiative
EMP	Environmental Management Plan
FM	Financial Management
FMA	Financial Management Assessment
GDP	Gross Domestic Product
GEEDR	Energy and Extractives Global Practice
GENDR	Environment and Natural Resources Global Practice
GGODR	Governance Global Practice
GIZ	German Federal Enterprise for International Cooperation
GNI	Gross national income
IDA	International Development Association
MDTF	Multi-Donor Trust Fund
MEM	Ministry of Energy and Mines
MSG	Multi-Stakeholder Group
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OLADE	Latin American Energy Organization
PDO	Project Development Objective
PIU	Project Implementation Unit
PUCP	Pontifical University of Peru
PWYP	Publish What You Pay
RETF	Recipient-Executed Trust Fund
UNDP	United Nations Development Programme
USD	U. S. Dollar

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GOVERNMENT OF GUATEMALA
Extractive Industries Transparency Initiative (EITI) Post-Compliance I Grant

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DATA SHEET

Guatemala

Extractive Industries Transparency Initiative (EITI) Post-Compliance I Grant

PROJECT CONCEPT NOTE

GEEDR

Basic Information			
Date:	January 29, 2015	Sectors:	Other Mining and Extractive Industries -- 100%
Country Director:		Themes:	Other Public Sector Governance -- 100%
Practice Manager:	Paulo de Sa	EA Category:	C
Project ID:	P152806		
Instrument:	Grant		
Team Leader(s):	Kristina Svensson		
Recipient: Government of Guatemala			
Executing Agency: Comision Presidencial de Transparencia y Gobierno Electronico (COPRET)			
Contact:	Zaira Mejia	Title:	Director of Transparency
Telephone No.:	(+502) 2239-1500 ext:113	Email:	zmejia@transparencia.gob.gt
Project Implementation Period:	Start Date: May 1 st , 2015	End Date:	December 31, 2015
Expected Effectiveness Date:	April 20, 2015		
Expected Closing Date:	December 31, 2015		
Project Financing Data(US\$M)			
Total Project Cost :	\$460,000	Total Financing :	US\$300,000
Financing Gap :	None		
Financing Source	Amount(US\$M)		
BORROWER/RECIPIENT (parallel co-financing)	US\$160,000.00		
Others <i>EITI Multi-Donor Trust Fund (MDTF)</i>	US\$300,000.00		
Financing Gap	US\$0		
Total	US\$460,000.00		

Expected Disbursements of the MDTF / SRETF (in USD)									
Fiscal Year	FY15	FY16							
Annual	50,000	250,000							
Cumulative	50,000	250,000							
<p>1. Project Development Objective(s): The Development Objective is to strengthen the capacity of the EITI Secretariat, the multi-stakeholder group and civil society to implement the Extractive Industry Transparency Initiative (EITI).</p>									
Components									
Component Name						Cost (USD Millions)			
Component 1 - Production and dissemination of Guatemala EITI Reports						USD 0.12			
Component 2 - Supporting civil society to participate effectively in Guatemala EITI						USD 0.06			
Component 3 – Support to the Functioning of the National Secretariat						USD 0.12			
Compliance									
Policy									
Does the project depart from the CAS /CPS/CPF in content or in other significant respects?						Yes []		No [X]	
Does the project require any exceptions from Bank policies?						Yes []		No [X]	
Have these been approved by Bank management?						Yes []		No []	
Is approval for any policy exception sought from the Board?						Yes []		No [X]	
Does the project meet the Regional criteria for readiness for implementation?						Yes [X]		No []	
Safeguard Policies Triggered by the Project						Yes		No	
Environmental Assessment OP/BP 4.01						[]		[X]	
Natural Habitats OP/BP 4.04						[]		[X]	
Forests OP/BP 4.36						[]		[X]	
Pest Management OP 4.09						[]		[X]	
Physical Cultural Resources OP/BP 4.11						[]		[X]	
Indigenous Peoples OP/BP 4.10						[]		[X]	
Involuntary Resettlement OP/BP 4.12						[]		[X]	
Safety of Dams OP/BP 4.37						[]		[X]	
Projects on International Waters OP/BP 7.50						[]		[X]	
Projects in Disputed Areas OP/BP 7.60						[]		[X]	

Legal Covenants					
Name	Recurrent	Due Date	Frequency		
Description of Covenant					
Team Composition					
Bank Staff					
Name	Title	Specialization	Unit	UPI	
Kristina Svensson	Senior Mining Specialist	Mining	GEEDR	270735	
Fernando Paredes	Operations Officer	Operations	LCCGT	299045	
Monica Lehnhoff	Procurement Officer	Procurement	GGODR	265684	
Sandra Flores de Mixco	Financial Management Analyst	Financial Management	GGODR	452507	
Marcos Antonio Zambrano	Consultant	Safeguards	GENDR	237191	
Jimena Garrote	Country Lawyer	Legal	LEGLE	335928	
Non Bank Staff					
Name	Title	Office Phone	City		
Nils Handler	Consultant				
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Guatemala					

I. STRATEGIC CONTEXT

A. Country Context

1. **Guatemala has made considerable development progress since emerging from civil war in 1996, but it is still struggling with a challenging history of conflict, exclusion, and inequality.** Noteworthy achievements have been made with regard to consolidating peace, building democratic institutions, and ensuring economic and political stability. The country is the largest economy in Central America, and considered a middle-income country with a GNI per capita of \$3,340 in 2013. Economic performance has been relatively stable considering regional comparison; however, the State is still struggling with persistent social and economic challenges, including crime and violence. Over half the population falls below the poverty line and the country ranks third lowest in Latin America, according to UNDP's 2014 Human Development Index, with a ranking of 125. Poverty and low social indicators are particularly troubling among the indigenous population who represent half the nation's 15.5 million people. Women in particular are falling behind in access to education, services, and economic opportunities.

2. **A low level of revenue mobilization has constrained the ability of the state to steer development and social policy.** Guatemala has one of the lowest tax revenues in the region, and the lowest per capita spending on social sectors.¹ The current Government, elected in 2011, committed itself to an ambitious agenda that aims to address key development challenges facing Guatemala. These included improving social development, accelerating economic growth, ensuring productive and social infrastructure for development (especially in rural areas). The Government has also placed strong emphasis on promoting transparency. With elections coming up in September 2015, there is a need for the Government of Guatemala to continue its efforts to reduce extreme poverty and promoting transparency and accountability.

B. Sectoral and Institutional Context

3. **Increased investments over the past decade, combined with higher commodity prices in the past several years, have led to a steady expansion of the extractives sector (both mining and hydrocarbons) in Guatemala.** Despite considerable resource deposits, the extractives sector in Guatemala has not historically been a major contributor to the national economy, accounting for less than 3% of GDP. Mining sector activity is driven primarily by large-scale foreign investments in metallic minerals projects (gold, silver, nickel, tin), nearly all of which were established following the conclusion of the civil war. Mining production has increased significantly over the past seven years, owing to increased output from two single mines operated by foreign firms. The hydrocarbons sector has been active for the past 60 years, with 90% of production originating from the one region by one foreign firm (production of 3.7 million barrels in 2011). Currently there are also discussions of linking Mexico and Guatemala with a gas pipeline to respond to increasing domestic demand.

4. **Despite strong government commitment to support continued growth in the sector, widely-publicized concerns over social conflict and environmental degradation associated with mining sector development have necessitated reforms to the sector.** These reforms

¹ Country Partnership Strategy 2013-2016 (World Bank)

include higher royalty rates, establishing a mining fund to distribute royalties to local governments, requiring community consultation, and addressing environmental concerns and mine closure issues. In July 2013, President Molina proposed extending an existing moratorium on the granting of new mining licenses for the stated purpose of allowing the government to pass reforms to the National Mining Law, although the timeline for passing these reforms remains unclear.

5. Since 2010, the government has been actively implementing the Extractive Industries Transparency Initiative (EITI), in partnership with companies and civil society. The country announced its candidacy status in March 2011, and published its first EITI Report in March 2013 covering 2010 and 2011 fiscal revenues. The production of this report is funded by the EITI MDTF under the first such grant to the government of Guatemala. Eight extractive industry companies participated (6 mining companies and 2 oil and gas companies), corresponding to an average of 97% of total production for both oil, gas and mining, and four government agencies provided information. Revenues of US\$155 million (2010) and US\$224 million were reconciled with a very minimum discrepancy in 2010 and none in 2011. It did contain innovative information regarding transfers to the Protected Areas Council as well as to municipalities through the petroleum fund, and information on production and exploration and production licenses. The information was however not disaggregated by company (not required under the old EITI rules), which makes the information more difficult to use for citizens and less relevant.

6. The institutional framework for the implementation of EITI was established by decree in May 2012. The Presidential Decree No 96-2012 of 10 May 2012, amended by the Ministerial Agreement No 44-2014 of 5 March 2014, establishes the EITI-Guatemala National Working Commission (“Comicion Nacional de Trabajo del EITI-Guatemala”) as the multi-stakeholder group (MSG). The MSG is chaired by the Vice-President of the Republic and the Vice-Minister of Mines, and implementation is coordinated between the two institutions. The Technical Secretariat responsible for implementation is housed in the Presidential Commission on Transparency and Electronic Government (COPRET). The EITI-Guatemala National Working Commission consist of five government agencies, three company representatives and three representatives of civil society. Guatemala was validated as an EITI compliant country in March, 2014.

7. Guatemala was however “temporarily suspended” from the EITI as of February 26, 2015 due to the failure to publish the 2012 and 2013 reports by December 2014. This suspension will be lifted once this report is published, which is estimated to take place at the end of May, 2015. Part of the reason for the delay in the production and publication of the second EITI report had to do with changes in the implementation institutional arrangements. Until validation, the National EITI Secretariat was hosted by the Vice Ministry of Energy within the Ministry of Energy and Mines (MEM). In 2014, as mentioned above, it was transferred to the Presidential Commission on Transparency and Electronic Government (COPRET).

8. While the Government's high-level commitment to the EITI process remains strong, a financing gap exists between the Government's aspirations for post-validation EITI work and the limited budgetary resources allocated to these efforts. Funding support for activities under the Work Plan originates from international donors and the national treasury. The World

Bank has been actively involved in supporting the process, providing technical assistance and capacity-building support under a recipient executed grant of US\$380,000 from the EITI Multi-Donor Trust Fund (MDTF). This grant is fully disbursed and will close June 30, 2015. This support has been instrumental in helping Guatemala achieve full EITI compliance, but more support is needed until the national EITI effort can become self-sustaining.

9. In light of the new EITI Standards, Guatemala EITI also needs to ensure broader and more effective participation of all stakeholders, in particular civil society organizations. The main conclusions from the EITI validation in 2013 indicated the need for more active and broader civil society participation. Guatemala will also have to adapt to the new EITI standard adopted in Sydney in 2013, which requires timely and disaggregated data publication, as well as the publication of contextual data including on extractive industry production and licensing. Despite the successful validation, it is clear that the initiative needs to be revitalized to remain relevant to the context of Guatemala extractive industries and communities in producing regions.

10. Strengthening and broadening of CSO participation in the EITI National Working Commission needs to be one of the priorities for EITI Guatemala going forward. EITI MDTF provided support to CSOs in Guatemala under the direct CSO support window in 2012-13. This support consisted of training conducted by the Pontifical University of Peru (PUCP) of a group of 30 indigenous leaders (several of them on the EITI National Working Group) on extractive industry governance, technical issues, and management, as well as communication and dissemination of materials in Mayan languages. GIZ has also provided support to revitalize and renew CSO participation in the process.

C. Higher Level Objectives to which the Project Contributes

9. The proposed project is well aligned with priority themes under the 2013-2016 Country Partnership Strategy (CPS) approved in 2012. Under the CPS, the World Bank has committed to provide support to the Government towards consolidating gains in expenditure transparency, as well as the Government's efforts to fight corruption, under *Result Area 1: Create Fiscal Space and improve transparency in the budgeting process*. The 2013-2016 CPS also highlights the importance of strategic non-lending assistance packages in support of key Government priorities.

10. Donor coordination: Other donor partners involved in supporting better management of the extractive industries include GIZ and the European Union. While the EU has funded analytical work on mining revenues and decentralization, GIZ has focused so far on supporting the civil society coalition (beyond MSG members). A workshop was held in December 2014, where civil society members met to discuss the need to amplify and broaden their participation in the EITI. OLADE, the association of Ministries of Energy in Latin-America, is also providing training support to the EITI process in Guatemala.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

9. The Development Objective is to strengthen the capacity of the EITI Secretariat, the multi-stakeholder group and civil society to implement the Extractive Industry Transparency Initiative (EITI).

10. The larger aim of the EITI in Guatemala is to enhance transparency and accountability in the management of the extractive industries in Guatemala. While the grant is implemented through the Government of Guatemala, specifically the EITI National Secretariat, hosted by COPRET, the activities are expected to benefit participants in the multi-stakeholder group (MSG), as well as the wider populations, civil society organizations, and mining communities.

Project Beneficiaries

19. The direct project beneficiaries are the multi-stakeholder group (MSG), the Guatemala EITI Secretariat and civil society groups involved in the “grupo ampliado.” Indirect beneficiaries include private sector investors and communities in the producing regions.

20. Guatemala EITI *MSG and Secretariat* will benefit from enhanced capacity to carry out the implementation of the new EITI 2013 Standard and the production of the 2014 report as well as dissemination of the 2012/13 report. With enhanced capacity through trainings, the MSG will have better chance to influence positively decisions on mining revenue management and sustainable management of the resource.

21. Civil society members will benefit from enhanced transparency and capacity building efforts. Through the participation in the EITI and the activities under component 2, their capacity to analyze the EITI report and effectively lobby for policy reforms and sector issues raised in the EITI report will be enhanced.

22. The indirect beneficiaries include private investors in the mining sector through enhanced transparency and predictability and improved community relations; and community members in the producing regions through enhanced transparency and accountability in the management of the revenues and the sector.

B. PDO Level Results Indicators

- (a) **Indicator One:** Publication of the EITI report (covering 2013 revenues) in compliance with the new EITI Standard.
- (b) **Indicator Two:** Wide dissemination and media coverage of the EITI report published in 2014.

III. PROJECT DESCRIPTION

A. Project Background

11. The Grant will provide the Government of Guatemala through the national secretariat with financial and technical support to implement the Extractive Industry Transparency Initiative (EITI) through December 2015. The proposed grant is \$300,000 to be executed by the Government of Guatemala. Counterpart funding of \$160,000 has been approved by the Government of Guatemala. The government counter-funding will cover the operating costs of the National Secretariat, such as salaries for the technical secretary and Financial Management and Procurement Specialists. This is particularly needed because of the institutional changes in EITI implementation in Guatemala during 2014, as well as the relatively new team in charge of implementation.

12. These activities will focus on improving the functioning of the national secretariat, enhancing the effective participation of all key parties of the initiative (government, civil society, and companies), enhance the awareness of the initiative among the larger populations, including communities close to extractive industry operations, and specifically by supporting civil society-led investigations into the benefits of extractives revenues at the local level.

13. **Possible Phase II:** EITI MDTF mother trust fund closes at the end of December 2015 and all activities under this grant have to be completed by December 31st, 2015. Upon successful completion of activities under this EITI MDTF grant, a second multi-year phase of support to EITI implementation might be considered under the Extractive Industry Global Support Program (EGPS). A new procurement plan would need to be prepared for the additional funding.

Box 2: Extractive Industries Transparency Initiative (EITI)

Overarching Principles. *The principles, on which the Extractive Industries Transparency Initiative is based, state that the wealth from a country's natural resources should benefit all its citizens and that this will require high standards of transparency and accountability. After the Principles were agreed, rules were drawn up to ensure that all EITI member countries committed to a minimum level of transparency in company reporting of revenues paid and government reporting of receipts.*

Overall Benefits. *By implementing the EITI, governments enhance transparency, accountability and good governance, thereby mitigating the resource curse risk. Countries rich in natural resources such as oil, gas, and mining have tended to under-perform economically, have a higher incidence of conflict, and suffer from poor governance. These effects are not inevitable and it is hoped that by encouraging greater transparency, in countries rich in these resources, some of the potential negative impacts can be mitigated.*

Application. A country intending to implement the EITI is required to undertake the four "sign-up" steps before submitting an EITI candidature Application to the EITI Board. The Board reviews the application and if it establishes that the requirements have been successfully met, the country becomes an EITI Candidate country.

Compliance. When the EITI Board admits an EITI Candidate, it establishes deadlines for publishing the first annual EITI report and undertaking validation by a third-party, which is directly procured by the International Secretariat to assess EITI compliance. The EITI report communicates the efforts undertaken to meet and/or maintain compliance with the 7 EITI requirements, which are as follows:

- 1) Effective oversight by the multi-stakeholder group.
- 2) Timely publication of EITI Reports.

- 1) EITI Reports that include contextual information about the extractive industries.
- 2) The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
- 3) A credible assurance process applying international standards.
- 4) EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
- 5) The multi-stakeholders' group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation.

Post-compliance: Countries that have been validated as compliant countries by the International Board (such as Guatemala) are expected to continue producing timely and yearly EITI reports. Countries will be re-validated every five years.

Source: EITI (<https://eiti.org/eiti/principles>)

17. The approved EITI work plan for Guatemala (2014-2015) (see attached) includes the following six objectives, all of which are supported by the EITI MDTF grant.

- 1) *Create and put into action EITI working group* by (i) creating and putting into action the Executive Secretariat for the implementation of the EITI indicators, (ii) creation of an internal norm for the national working group and hereby realizing the modification proposal of the internal norm taking into account the lessons learned and international best practices.
- 2) *Create the second Reconciliation Report* by elaborating and publishing the national reconciliation study on extractive industries.
- 3) *Strengthen the technical knowledge of the member sectors of the national EITI-Guatemala working group*, that is implement the plan of the institutional strengthening of civil society.
- 4) *Present the annual report as well as the presentation of the compliance-state for the country of the initiative*, hereby complying with the deadlines established by the initiative.
- 5) *Validation report*, complying with the deadlines established by the initiative.
- 6) *Audit*, with an ordered and transparent closure.

B. Project Components

14. **Component 1 - Production and dissemination of Guatemala EITI Reports (USD120K):** In order to remain in compliance with the new EITI Standard, countries need to produce timely (annual) EITI reports (Requirement 2), including contextual information (Requirement 3), and addressing the specific objectives set by the initiative in each country. This

means that each EITI report must cover data no older than the second to last complete accounting period. It also requires that the EITI report is “comprehensible, actively promoted, publicly accessible, and contribute to public debate” (Requirement 6). The grant will therefore support the following:

- a) **Hiring of the independent reconciler for the production of the EITI Guatemala report:** (covering fiscal year 2014, to be published before December 31, 2015). The main output will be the reconciliation report, consistent with the EITI Standard, containing clear recommendations of how to enhance transparency and accountability of the extractive industries in Guatemala.
- b) **Communication and dissemination of the Guatemala EITI report covering FY 2012 and 2013:** (produced in 2014 and funded through EITI MDTF first grant). This would include the production of info-graphics, production and printing of a summary report, translation to local Mayan languages of summary report and other materials as needed, and outreach activities in district and municipalities in producing regions.

15. Component 2 - Supporting civil society to participate effectively in Guatemala EITI (US\$60K): The new EITI Standard requires that the government works with companies and civil society to implement the EITI, and that these groups are “fully, actively, and effectively engaged” in the initiative (Requirement 1.3). Specifically, civil society has a role to play as an actor on the multi-stakeholder group, as well as in society at large to analyze EITI reports and advocate for enhanced transparency and accountability. In Guatemala, as mentioned above, it has been difficult to galvanize civil society organizations around the initiative. One of the main conclusions from the 2014 validation report was that only a few civil society organizations were actively participating in the process, and that their capacities need to be strengthened and renewed outreach needs to take place. Despite several activities and trainings aimed at supporting CSO participation in EITI, including technical training on Extractive Industries funded through EITI MDTF in 2012-13, the knowledge and capacity to participate is still low. There is also a lack of awareness of the opportunities of the new Standard. Support will take place in coordination with the regional network of civil society organizations involved in extractive industry governance, and supported by the global coalition of publish-what-you-pay (PWYP). The specific activities supported through the grant will include:

- a. **Training and engagement with CSOs on EITI, EITI report analysis, and policy advocacy:** This component would support training and practical application regarding report analysis; and policy advocacy. The training could consist of both international and national experts providing training to CSOs in Guatemala; and Guatemala CSO activists travelling to PWYP or other civil society training events in the region and globally. The objective would be to ensure that Guatemalan CSOs are connected to international networks of CSOs working on extractive industries, and that these in turn can also provide mentoring to Guatemalan CSOs. These activities would be closely coordinated with ongoing and planned activities by the regional PWYP network, and other supporting agencies, such as GIZ, PWYP International Secretariat, etc.

- b. **Pilot studies and projects to support monitoring of the dissemination and use of revenues at the local level:** With the objective to apply the knowledge acquired through the above trainings, this sub-component will support the production of action research conducted by Guatemalan CSOs regarding the distribution and use of revenues at the local level, or other social audit research and documentation. Two to three CSOs would be selected through a competitive process to conduct the research. A final workshop and dissemination would take place in Guatemala City.

16. **Component 3 - Support to the Functioning of the National Secretariat (US\$120K):** While the government counter-funding will cover the operating costs of the National Secretariat, such as salaries for the technical secretary and Financial Management and Procurement Specialists, this sub-component will focus on improving the performance and the results of the initiative and training for MSG members. Specifically, this component would support:

- a. **Compliance study:** The EITI International Secretariat recommends that countries conduct their own validation study (official validation is every five years) to document progress and compliance with the EITI Standard. The output will be a study that will be discussed with the MSG, and an action plan to improve performance.
- b. **Training and capacity building for MSG members:** As the new Standard is being rolled out, and new countries in LAC are joining the initiative (Colombia, Honduras, etc.), there is a lot of room for peer-to-peer learning. This sub-component will support expenses related to attending such training events, as necessary.
- c. **Grant Audit:** As required by the World Bank, an audit of Financial Statement of the grant has to take place. Such audit shall cover the entire period during which withdrawals from the Grant Account were made.

C. Project Cost and Financing

Project Components	Project cost	Grant Financing	% Financing
Component 1 - Production and dissemination of Guatemala EITI Reports	USD 140K	USD 120K	85%
Component 2 - Supporting civil society to participate effectively in Guatemala EITI	USD 120K	USD 60K	50%
Component 3 - Support to the Functioning of the National Secretariat	USD 200K	USD 120K	60%
Total Baseline Costs Physical contingencies – 5% (included in each item) Price contingencies - - 5% (included in each item)			
Total Project Costs Interest During Implementation Front-End Fees Total Financing Required	USD 460K	USD300K	USD 65%

23. The core activities of the project would be financed by EITI MDTF through a USD 300,000 grant. Government co-funding (US\$160K) activities and those funded by other donors, notably GIZ, are indicated in the attached Guatemala Work Plan 2014-15. The project cost includes only activities that will be realistically implemented before EITI closing date, which is scheduled for December 31, 2015.

IV. KEY RISKS AND MITIGATION MEASURES

A. Overall Risk Rating

Table 1: Overall risk table

Risk category	Rating
1. Political and Governance	M
2. Macroeconomic	L
3. Sector Strategies and Policies	M
4. Technical Design of Project or Program	L
5. Institutional Capacity for Implementation and Sustainability	M
6. Fiduciary	L
7. Environment and Social	L
8. Stakeholders	M
9. Other: program and donors	L
OVERALL	L

17. Implementing Agency Risk (capacity and governance): COPRET is an agency under the Vice-President's office, created by Decree in 2012. It has shown significant commitment to the EITI by putting together a team, leading the work of the National Commission, and supporting the preparation of this grant. However there is a risk that with a new Government resulting from the elections in September 15, COPRET might be dismantled or change its mandate and role. The capacity constraints will be mitigated by frequent supervision by FM, procurement and technical teams. There is also a risk with using COPRET as an implementing agency because a perception among a larger set of stakeholders, including civil society organizations, that they are not technically qualified to run the EITI initiative. This will be mitigated by continued capacity building, and encouraging strong linkages with the technical ministry of energy and mines.

18. Project Risk (design, social and environmental, program/donor, sustainability): The Project Risk should be considered low, since the Bank has ample experience in supporting countries in implementing EITI. There is no social and environmental risk since no physical investment is taking place with grant funds.

24. In terms of implementation Capacity, COPRET does not have any prior experience in administrating World Bank grants. This poses a risk to the successful implementation of the project in that it might delay procurement processes and financial management reporting. Institutional procurement and FM assessment undertaken of COPRET by World Bank procurement specialist and FM Analyst. Both WB specialist have also provided training of COPRET staff and will continue to engage closely with the implementation team at COPRET.

25. Safeguards: This is a technical assistance grant to the government of Guatemala. The main activities are training and production and dissemination of the EITI report with the objective to enhance good governance and transparency and accountability in the management of extractive industries in Guatemala. No physical investments will take place. All decisions, management, procurement and outputs have to be approved by the multi-stakeholder group, which includes civil society representatives. Consultations with a wider group of civil society and indigenous leaders take place throughout the implementation of the EITI. The social and environmental risks are therefore low, and the project is categorized as C with no appraisal stage ISDS needed.

26. Governance: There is also a risk with using COPRET as an implementing agency because a perception among a larger set of stakeholders, including civil society organizations, that they are not technically qualified to run the EITI initiative. Furthermore, COPRET is an agency under the Vice-President's office, created by Decree in 2012. It has shown significant commitment to the EITI by putting together a team, leading the work of the National Commission, and supporting the preparation of this grant. However there is a risk that with a new Government resulting from the elections in September 2015, COPRET might be dismantled or change its mandate and role. This will be mitigated by continued capacity building, and encouraging strong linkages with the technical ministry of energy and mines. The capacity constraints will be mitigated by frequent supervision by procurement and technical teams.

27. Overall Implementation Risk: Overall Risk should be considered "low," based on the above considerations. This is the second EITI grant to Guatemala, although the first with COPRET as implementing agency. There are some capacity and governance concerns with using COPRET to implement the grant, as well as drivers of the EITI process (given the suspension in February 2014 due to delays in publishing the report). These risks will be mitigated with capacity building and frequent follow-up by project team, as well as continuing to engage with other government agencies, including the Ministry of Energy and Mines. There is also a need to keep a close dialogue with other concerned parties, including broader civil society, the multi-stakeholder group, and development partners.

B. Implementing Agency Assessment

20. COPRET, under the Vice President's office, will be the project implementing agency under the Grant. COPRET is formally part of the executive branch of the Guatemalan Government, established in 2012 by decree to support the actions of ministries and institutions of the executive branch to implement the measures derived from international conventions on transparency, anti-corruption and e-government initiatives. The Vice President is the official EITI Champion, while the Vice-Minister of Mines is the EITI Coordinator.

21. Following the transfer of responsibility for national EITI activities from MEM to COPRET, an institutional FM, procurement and contracting capacity assessment has been undertaken by COPRET to confirm its ability to serve as a project implementing unit in conformity with World Bank financial management and procurement requirements. Additionally, a portion of the Government's co-financing of this project will provide the basis for hiring a finance specialist and a procurement specialist to assist with day-to-day management and procurement responsibilities under the proposed Grant. The World Bank will review the qualifications of candidates for these positions before COPRET finalizes their selection.

22. Procurement: COPRET would procure consultant services as well as any good or non-consulting service to be financed under this Grant. Consultant services foreseen include the selection of the conciliator, diagnostic studies, auditing and communication skills. Non-consulting services might include printing of materials in different languages as well as publicity services for dissemination of results. Operational costs might cover per diem to trainees or travel costs associated with activities related to the objectives of the Grant. At preparation stage COPRET was in the process of selecting and contracting the procurement specialist, who will ensure that Bank's procurement and consultant guidelines and procedures will be followed accordingly. The World Bank will review the qualifications before COPRET finalizes the selection. Given the lack of familiarity with Bank's procedures, on September 2014 COPRET's staff received a Bank's procurement training, including how to prepare the procurement plan.

23. Financial Management: A financial management assessment (FMA) was carried out to evaluate the adequacy of financial management arrangements under the proposed grant. This assessment has been performed in accordance with FM Manual "Financial Management Manual for World-bank Operations" approved by the Financial Management Sector Board and published on March 1, 2010 and guidelines established in the document "Financial Management for Small Grants", as this recipient-executed grant amounts \$ 300,000 (below \$ 5,000,000). The summary FM arrangements and evaluation are as follows:

- (i) FM aspects would be implemented using country systems (budgeting, accounting, internal control, funds flow, and financial reporting)
- (ii) COPRET will be in charge of the FM aspects for the activities under the components and subcomponents of the project. These will basically include: (i) budget formulation and monitoring; (ii) cash flow management (including processing payments and submitting loan withdrawal applications to the Bank); (iii) maintenance of accounting records; (iv) preparing annual and semester reports; (v) coordinates the project audit; and (vi) furnish to the Bank the financial statements audited by external audits.
- (iii) COPRET has no prior experience implementing World Bank financed projects. Therefore, mitigation measures were identified to ensure the effectiveness of financial management implementation arrangements, namely the hiring of a Financial Specialist.

- (iv) A small PIU will be established in COPRET to coordinate project implementation and staffed with a Financial Specialist with adequate experience and skills. The Financial Specialist will support the Institutional Administrative and Financial Directorate with respect to the FM activities generated by the proposed grant. This position will be financed with counterpart sources.

C. Project Stakeholder Assessment

24. The key stakeholders under this Grant will be COPRET, the National EITI Secretariat and the multi-stakeholder group (MSG), and a broader set of local civil society organizations (CSOs), as well as oil, gas, and mining companies engaged in the EITI process.

a. COPRET as official host of the EITI Secretariat has no previous experience in implementing World Bank grant, or of driving the EITI process. The capacity is limited, but so far, the agency has shown strong commitment in strengthening this capacity and assigning human and financial resources to the implementation.

b. The EITI National Secretariat consists of one coordinator and a few supporting staff. It is clear that the Secretariat needs continued strengthening to be up to speed on both technical, implementation, and political issues. It is still struggling a bit in terms of its legitimacy to drive the process.

c. The multi-stakeholder group (MSG)/EITI Commission: The MSG today is composed of representatives of COPRET, the Ministry of Economy and Finance, the Ministry of Energy and Mines, three representatives of civil society, and three representatives of the extractive industries. There have been some concerns expressed by the companies and civil society groups over the current legislation creating the MSG, Presidential Decree No 96-2012 and the amended “Acuerdo Ministerial No 44-2014” – which quotes companies and civil society representatives as “observers.” According to the new EITI Standard, there is nothing requiring Guatemala to change this language, and the focus from the International Secretariat is more on how the participation and MSG works in practice.

d. Civil society: Since the start of EITI implementation in Guatemala, one of the most difficult issues has been to ensure that civil society is widely represented and has a voice in the process. It is clear that the CSOs sitting on the MSG today are not representative of the broader civil society in Guatemala, and has no formal or informal reporting channel to the broader constituency of CSOs. Despite trainings carried out by a separate CSO support program (2011-2013) for a group of indigenous leaders, in partnership with the Catholic University in Lima, Peru, several potentially important organizations working on extractive industry governance issues in Guatemala today are not participating in EITI. This undermines the process, since it prevents CSOs and by extension communities in the producing region from expanding the scope of EITI reporting (for example to the investment of EI revenues at the municipality level), and lobbying for increased transparency and policy changes.

e. Development partners: GIZ is getting more involved in promoting transparency and

accountability in the management of the extractive industries in Guatemala. They have led workshops with civil society and the MSG, and are planning a larger conference with the MEM later in 2014. The GEEDR team is also preparing a Bank-executed Extractive Industries Technical Assistance Facility (EITAF) grant with the MEM focused on enhancing governance and management of mineral and hydrocarbon resources. Activities are being closely coordinated.

x 1: Results Framework and Monitoring

Guatemala: Implementation of the Extractive Industries Transparency Project

Project Development Objective (PDO): The Development Objective is to strengthen the capacity of the EITI Secretariat, the multi-stakeholder group and civil society to implement the Extractive Industry Transparency Initiative (EITI).

PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**		Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2				
Indicator One: Publication of the EITI report according to the new EITI Standard.	<input type="checkbox"/>	Reports published	0	1	1	Once	Report	Guatemala EITI Secretariat	Indicates that (i) the report has been produced by an independent reconciler and (ii) has been published.
Indicator Two: Wide dissemination and media coverage of the EITI report published in 2014.	<input type="checkbox"/>	Number of press coverages on EITI in national or local media	N/A	20	50	Bi-Annual	Report	Guatemala EITI Secretariat	Indicates that the report has been published in a user-friendly form containing for example info-graphics, production and printing of a summary report and has been effective in creating broad media coverage.

INTERMEDIATE RESULTS

Intermediate Result (Component One): Production and dissemination of Guatemala EITI Reports

<i>Intermediate Result indicator One:</i>	<input type="checkbox"/>	Yes/No	No	Yes	Yes	Annually	Report	Guatemala EITI Secretariat	This is required by the International Secretariat to take place every five years. This indicator indicates that the study has been undertaken and that it contains recommendations for action.
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Intermediate Result (Component Two): Supporting civil society to participate effectively in Guatemala EITI

<i>Intermediate Result indicator One:</i> Pilot studies and projects to support monitoring of the dissemination and use of revenues at the local level	<input type="checkbox"/>	Number of studies/projects	0	1	3	Annually	Report	Guatemala EITI Secretariat	This sub-component will support the production of action research conducted by Guatemalan CSOs regarding the distribution and use of revenues at the local level, or other social audit research and documentation.
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Intermediate Result (Component Three): Support to the Functioning of the National Secretariat

<i>Intermediate Result indicator One:</i> Compliance study conducted to document progress and compliance with	<input type="checkbox"/>	Number of workshops	0	5	10	Annual	Report	Guatemala EITI Secretariat	Indicates that workshops have been conducted with civil society members and relevant training for CSOs on EITI, EITI report analysis, and policy advocacy.
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the EITI Standard									
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