

Document of
The World Bank

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PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$500,000

TO THE

REPUBLIC OF COLOMBIA

FOR THE

IMPLEMENTATION OF THE
EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

March 9, 2015

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 10, 2014)

Currency Unit = Colombian Peso

USD 1 = COP 2530.45

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ACM	Colombian Mining Association
ACP	Colombian Petroleum Association
ANH	National Hydrocarbons Agency)
ANM	National Mining Agency
CONPES	Social and Economic Policy Council
CPS	Country Partnership Strategy
CSO	Civil society organizations
CTN	National Tripartite Committee
DA	Designated account
DIAN	Directorate of Taxes and Customs
DNP	National Planning Department
EGPTF	Extractive Industries Programmatic Support Trust Fund
FARC	Revolutionary armed forces of Colombia
GDP	Gross Domestic Product
GOC	Government of Colombia
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
MDTF	Multi-Donor Trust Fund
MINMINAS	Ministry of Mines and Energy
MSG	Multi-Stakeholder Group
MSM	Medium and small-scale mining
OECD	Organization for Economic Cooperation and Development
PND	National Development Plan

DATA SHEET

REPUBLIC OF COLOMBIA

IMPLEMENTATION OF THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

LATIN AMERICA AND CARIBBEAN REGION

Basic Information	
Project ID: RE-P106013-LEN-TF090446	Sectors: Energy and Extractive Industries
Instrument: RETF	Themes: Transparency and Accountability
Team Leader: Daniele La Porta	EA Category: C
	Repeater Project: No
	Transferred Project: No
Joint IFC: No	
Estimate date of Approval: 03/30/15	
Project Implementation Period:	Start Date: 04/15/15 End Date: 04/30/17
Fragile and/or Capacity Constraints None	

Project Financing Data			
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee		
For Loans/Credits/Others (US\$M):			
Total Project Cost :	US\$1,402,000	Total Bank Financing :	US\$500,000
Total Co-financing :	US\$402,000	Financing Gap :	US\$500,000

Financing Source	Amount
BORROWER/RECIPIENT	Only as of 2016. Amount not yet defined.
Others	IADB US\$102,000; Fundación Internación para Iberoamérica de Administración y Políticas Públicas US\$300,000
Financing Gap	US\$500000
Total	US\$1,402,000

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REPUBLIC OF COLOMBIA
IMPLEMENTATION OF THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

I. STRATEGIC CONTEXT

A. Country Context

1. **The Republic of Colombia is an upper middle-income country that has sustained an average GDP growth of 4.8 percent over the past decade.** However, despite its strong economic performance the country still registers relatively high rates of poverty and inequality. Colombia had an estimated population of 48.1 million in 2013 and is the fourth largest economy of Latin America in terms of GDP, with an income per capita of US\$ 8,023 in 2013. Colombia's historically high growth rates over the past decade have been supported by strong economic management and policy reform, an improved security situation and ongoing peace process as well as rapidly rising oil production and mining activity and a surge in commodity prices¹

2. **The Colombian government has focused on strengthening commercial ties and boosting investment at home.** President Santos began his second term in office on August 7, 2014. Colombia has signed or is negotiating Free Trade Agreements with several countries; the US-Colombia FTA went into force in May 2012. Foreign direct investment grew rapidly in recent years, reaching a record high of US\$17 billion in 2013 (4.4 percent of GDP), up from US\$15.8 billion in 2012. The oil and mining sectors attracted more than half of the FDI, with the oil sector alone accounting for 34 per cent (\$5.4 billion) of total FDI in 2012².

3. **Colombia benefited from the commodity price boom of the past decade, saving a significant portion of the commodity windfall.** The economy saved about 90 percent of the commodity windfall, the highest share in the region. The rise in savings helped finance a significant increase in investment. Higher investment was one of the drivers of Colombia's strong economic performance of the past decade. Gross investment rose by almost 6 percentage points of GDP over the past decade to 24.6 percent of GDP in 2013. Investment was undertaken primarily by the private sector, and directed mainly to oil and mining, electricity, telecommunications, and the financial sector. Public investment lagged behind, as a result of which Colombia continues facing a significant infrastructure deficit, particularly in roads.

B. Sectoral and Institutional Context

4. **Colombia has significant natural resource wealth.** The majority of natural resource fiscal revenues come from oil. The country also possesses the largest coal reserves in Latin America, is the world's largest producer of emeralds, and has significant amounts of gold and nickel. Colombia also produces natural gas, copper, iron ore and bauxite.

5. **Colombia has experienced a dramatic growth in oil, natural gas, and coal production in recent years as a result of several regulatory reforms designed to attract foreign investments.** Rising commodity prices also contributed to this growth. In the last five years, the sectors combined registered an annual average growth of 10.4%, more than twice that of the economy as a whole in the

¹ Colombia Systemic Country Diagnostic (SCD) World Bank December 2014.

² IMF, *Ibid.*

same period. With growth of 5.8% in 2012, the industry reached a share of GDP of 7.7%.³ Similarly, on the external front, the oil and mining sectors gained in importance. Exports of hydrocarbons and minerals accounted for nearly 70 percent of total exports in the period 2011-13. Oil exports alone (US\$30.7 billion) account for 51 percent of total exports. No less important is the sector's contribution to the nation's revenues, which in 2012 was around US\$ 17.7 billion in taxes, dividends and royalties. Oil and gas account for 80 percent and mining for 20 percent.⁴ Given their significance, the National Development Plan 2010-2014 considers the oil and mining sectors as one of the five "drivers" of Colombia's development.

Context of the Hydrocarbons Sector

6. **The reforms implemented by the administration of President Uribe since 2003 helped reverse a 9-year decline in production that ended in 2008 due to waning oil fields and a lack of discoveries.** The reforms consisted on the partial privatization of Ecopetrol (formerly Empresa Colombiana de Petróleos S.A.) and the transfer of its administrative and regulatory functions of hydrocarbon resources into the National Hydrocarbons Agency (ANH). Colombia's oil production was 969,000 bbl/d in 2012, up 61% from the 604,000 produced in 2008. Colombia consumed 287,000bbl/d in the same year and exported the remaining production. Oil production rose close to 1 million bbl/d in 2014.⁵ Proven reserves were estimated at 2.4 billion barrels in January 2014⁶. Although exploration continues and discoveries are announced, Colombian officials estimate that, at current reserve levels, oil reserves would last about seven years. However, the ANH estimates that the proven exploitable oil reserves will stand at 4 billion barrels by 2020. The sector contribution to total revenues of the central Government increased from 19.5 percent in 2010 to 29 percent in 2013.

Contribution of Colombia's oil sector to Central Government revenue

	2010	2011	2012	2013
Total Revenue Central Government	39.6	51.1	59.5	63.9
Petroleum sector ^a	7.7	13.8	14.7	18.5
(percent)	19.5	27.0	24.8	29.0

a. Includes income tax, dividends from Ecopetrol, revenues reported by ANH and royalties
Sources: IMF: Article IV Consultation. May 2014 and
Asociación Colombiana de Petróleo. Informe Estadístico Petrolero, diciembre 2014.

7. **The recent drop in oil prices is likely to impact sector revenues in the immediate future.** However, double digit sector growth in the past five years, tax payments of Ecopetrol to the state at 2014 oil prices, and expected reduced supply disruptions (from attacks to pipelines) due to a possible peace deal agreement with the Farc guerrillas⁷, will provide a cushion that may ease the impact of the price drop in the short term. The IMF projects economic growth to slow to about 3.5 percent in 2015. The medium-term outlook is favorable however with growth projected to bounce

³ All data and figures are subject to revision

⁴ Extractive Industries Transparency Initiative Scoping Study for Colombia. Resource consulting Services, December 2012.

⁵ U.S. Energy Information Administration. Countries, Colombia, January 7, 2014.

⁶ Oil and Gas Journal. *Industry Statistics*, January 2014.

⁷ The U.S. Energy Information Administration estimates that Colombia averaged \$35,000 bb/d of unplanned production disruption in 2013.

back gradually to 4.5 per cent. Expanded oil production will require discoveries of reserves and improvements of infrastructure safety.

8. **Colombia is self-sufficient in natural gas and recently began exporting to neighboring Venezuela.** Natural gas production, like oil production, has risen substantially in the past few years, because of increasing international investment in exploration and development. According to the ANH, Colombia has proven natural gas reserves of more than 5.7 Tcf (1.02 billion boe) as of December 31, 2012. In 2011 Colombia produced 387 Bcf (68.9 million boe = 188,862 boe/d) of dry natural gas and consumed 312 Bcf. Natural gas consumption has risen over 54% in the past decade. In 2007, natural gas production began to exceed consumption, allowing for exports. Average daily production in 2013 was 1,114 million cf/d.⁸ Chevron is the largest natural gas producer in the country, producing more than 600 million cf/d of gross natural gas. The Colombian government issued Decree 2100 in March 2011 outlining a plan to increase natural gas production, including production from shale or coalbed methane gas fields. Policies aimed at increasing natural gas consumption and exports, combined with increased demand from the power sector, have made expanding natural gas production a priority for the government.

Context of the Mining Sector

9. **The development of the Colombian mining sector has followed a slower path than oil** and has focused almost exclusively on big open-pit projects in coal, in the Guajira and Cesar Departments, and ferronickel, with the Cerro Matoso project. Coal, nickel and precious metals account for 92 percent of the total mining revenues. Of this, coal accounts for 77 percent of the royalties paid in the sector (15.4 percent of the total extractive industry royalties).

10. **In the last decade the government put in place a legal framework aimed at better organization of the institutional structures and greater equity and transparency in the redistribution of the revenues.** The state became less active in developing national industries and promoting private foreign investment to create mining jobs. Colombia is looking to develop mineral resources in areas of the country previously controlled by the FARC. Colombia has no state mining company but it created the National Mining Agency in May 2012 and introduced new mining legislation. Although Colombia attracted high levels of foreign direct investment to mining, the mining industry has also earned a reputation for environmental neglect and human rights violations.

Institutional Context

11. **The Ministry of Mines and Energy administers overall policy and planning coordination and regulates the downstream sector.** Ecopetrol, the national oil company of Colombia, formerly controlled the development of all hydrocarbon resources. Reforms of the oil sector started in 2003 with the transfer of Ecopetrol's administrative and regulatory functions of hydrocarbon resources into the National Hydrocarbons Agency (ANH), followed by the partial privatization of the company. The National Mining Agency (ANM) was created as a result of the restructuring which started in 2011, with responsibility for managing Colombia's mineral resources and granting rights for exploration and exploitation; managing contracts and concessions; collecting and overseeing the transfer of royalties;

⁸ Agencia Nacional de Hidrocarburos. Producción de Gas en Colombia. <http://www.anh.gov.co/Operaciones-Regalias-y-Participaciones/Sistema-Integrado-de-Operaciones/Paginas/Estadisticas-de-Produccion.aspx>.

coordinating mine safety; and developing and implementing strategies to promote the exploration for and exploitation of the country's mineral resources.⁹

12. **On December 2012 the Colombian Congress approved a fiscal reform bill designed to modernize the tax system.** Law No. 1607 aimed to stimulate job creation, raise the tax rates on top income earners, increase social spending, prevent double taxation of business partners and shareholders, significantly reduced the capital gains tax, and closed various tax code loopholes. These reforms were expected to stimulate growth of the extractive industries.

13. **The government also adopted reforms to strengthen the management and distribution of oil and mining royalties.** As mandated by the new oil and mining royalty regime, in 2012 the government formulated a bi-annual royalty-funded capital budget and created investment committees to approve viable projects.

14. **Colombia has made significant progress in public sector governance and is committed to adopt a transparent mechanism for reporting extractive industries revenues.** The National Development Plan 2010-2014 states that “prosperity for all” can be achieved through measures to improve peace and security, employment and poverty reduction. The Plan regards Good Governance as one of the cross-cutting pillars for democratic prosperity. The Plan considered the oil and mining sectors as one of the 5 drivers¹⁰ for growth and employment creation and proposes taking necessary actions for Colombia to participate in the EITI, which would promote competitive, responsible and efficient mining. This initiative is consistent with other strategies that Colombia is pursuing in the following areas:

Institutional strengthening and social control

- i. Publication of the Policy on Accountability of the Executive to the Citizens by the National Social and Economic Policy Council (CONPES) in 2010.
- ii. Creation of the Transparency Secretariat as part of the Office of the President, responsible for implementing a comprehensible anti-corruption policy.
- iii. Enactment into law of the Anti-corruption Statute in July 2011 which provides for the creation of a Citizen's Committee for the Fight Against Corruption and includes monitoring mechanisms designed to prevent illegal concessions and contracts.
- iv. Publication of Royalties Map – “mapa regalías”
- v. Development of a strategy for social control through “Visible Audits” which seeks to provide local follow-up to the investment of royalty funds, promoting good practices through forums with the beneficiary communities and actors involved in execution.

Adoption of standards of multilateral initiatives:

- i. Colombia is a participating country of the Open Government Partnership
- ii. Colombia aspires to become a member of the OECD and presented a roadmap to accession on September 19, 2013.

Becoming and EITI candidate

⁹ Agencia Nacional de Minería, 2013, Agencia—funciones: Agencia Nacional de Minería. (Accessed October 31, 2013, at [https://www.anm.gov.co/?q=agencia/funciones.](https://www.anm.gov.co/?q=agencia/funciones))

¹⁰ These are the sectors with high potential to promote economic growth. They are: new sectors based on innovations; agriculture; housing and friendly cities; infrastructure; and oil and mining. PND, p. 204-205.

15. **After completing the four steps for EITI Candidacy, Colombia applied for Candidacy on August 24, 2014.** Colombia was admitted as EITI Candidate Country effective October 15, 2014. The deadlines established by the EITI Board are **April 15, 2016** for its first EITI Report, and its Validation Report must start by **April 15, 2017**. Considering that Colombia would have to present a report covering information for 2014 that may not be available on time for processing, by April 16, 2016, the National Tripartite Committee has opted for presenting the first Report covering the year 2013 by **December 31, 2015**.

C. Relationship to CAS/CPS/CPF

16. **The implementation objectives of EITI are linked to the third strategic theme of the Bank's Country Partnership Strategy with Colombia, Inclusive Growth with Enhanced Productivity and the cross-cutting theme Good Governance.** The CPS for FY 2012-2016, *Sustainable Growth with Enhanced Productivity* proposes an integrated program of financial, knowledge, and convening services designed to support selectively the GOC's National Development Plan 2010-2014. The activities are combined under three strategic themes: (i) Expanding Opportunities for Social Prosperity; (b) Sustainable Growth with Enhanced Climate Change Resilience; and (c) Inclusive Growth with Enhanced Productivity. One of the cross cutting themes of the Plan is Good Governance.

17. To achieve Inclusive Growth with Enhanced Productivity, the NDP sets out to increase Colombia's growth rate from 4 to 6 percent, cut unemployment from 12 to 9 percent, and reduce the Gini coefficient of income inequality from 0.58 to 0.54. Achieving these challenging objectives **requires proper management of risks and fiscal policy challenges associated with natural resources wealth, careful monitoring and evaluation of policies and programs, and transparent and effective public sector institutions.**

18. **The Santos administration has put enhancing public sector management as a top priority in the NDP.** The Bank's support in this area includes the **Consolidation of National Public Management Information Systems Project** that aims to improve transparency and inter-operability of the Government's main management information systems. **The Subnational Institutional Strengthening Investment Loan** has supported since FY2012 the implementation of the decentralization reforms and the Government's strategy to improve governance and institutional capacities in subnational governments. IFC has expanded its **royalty management program**, which started with the previous CPS (2008-2011) and included a reform of the royalties system, directing revenues from natural resources exploration toward subnational entities and introduced a stabilization fund at the decentralized level. It thus contributes to reducing budget volatility associated with increased reliance on commodities revenues (primarily oil, coal, and metals). In addition, the Bank has supported the **Strengthening Public Information, Monitoring, Evaluation for Results Management** project which aims at enhancing public sector management.

19. **The CPS focuses on the following specific areas related to the objectives of Colombia-EITI:**

- *Improving management capacities in departments and municipal governments and civil society participation.* Bank assistance focusses on strengthening human resources and financial management, and coordination with local organizations. The Bank provides advisory services on the implementation of the "Citizen's Visible Audits Methodology", which promotes civil society participation and control in the execution of public investments.
- *Financial management support to increase good governance and transparency*, including, (a) strengthening the capacity and independence of the Supreme Audit Institution; (b) increasing

transparency at national and subnational levels providing advisory service on financial reporting of public accounts; and (c) assessing fiduciary risks of projects and strengthening mitigating measures.

- *Establishing an enhanced and effective public procurement system and building better capacity of its institutions.*

II. PROPOSED PDO/RESULTS

A. Proposed Development Objectives. Overall Project

20. The Colombia National Tripartite Committee (CTN) set the following objective for the EITI Action Plan: ***Strengthen transparency along the value chain of the extractive sector by making available accurate, timely and socially relevant information, which can be used to enhance good governance of the sector, thereby contributing to sustainable development at the national and local levels.***

21. The Action Plan consists of 4 major areas of activity in line with four specific objectives:

- Establishing an effective system for the collection of data consistent with the EITI Standard to facilitate the preparation of the EITI Report.* This includes the mapping and trajectory of payments and receipts at the national and subnational levels to facilitate template design and the preparation of the first EITI Report. At least one municipality will be included and evaluated for completeness of information for EITI purposes.
- Dissemination of the information produced at the national and regional levels and promoting public dialogue around relevant extractive industry issues.* A communication strategy will be prepared and a communication plan implemented using different instruments for different audiences.
- Mainstreaming the principles of transparency and accountability to the broader agenda of promoting governance along the value chain of the extractive industries.* To achieve this objective, EITI-Colombia will implement a strategy to sensitize and build knowledge of relevant national and subnational government authorities and civil society organizations around the extractive industries value chain.
- Guarantee the organization, operation and functioning of the Colombia-EITI governance structure to implement the action plan and the initiative Colombia EITI.* To this end, securing the necessary financing will be essential.

B. Proposed Development Objective(s). Grant

22. **The objective of this grant is to support the development, implementation and institutionalization of EITI in the country and enable Colombia to become EITI compliant.**

C. Key Results

23. The direct beneficiaries the project are the National Tripartite Committee (MSG), the Government of Colombia, extractive industry companies and investors, and civil society.

24. The publication of EITI Reports that reflect national priorities will be an important step toward institutionalizing EITI in Colombia. The information disclosed in the Report will allow an informed scrutiny of payments and receipts by civil society, and will facilitate the identification of relevant issues along the value chain of the extractive industries that may need addressing for enhanced governance.
25. The eventual inclusion of sub-national and transportation payments in EITI Reports as well as the disclosure of payments by an important segment of medium small-scale producers in the mining sector will definitely contribute to improving transparency and accountability in the oil, gas and mining sectors.
26. The CTN will benefit from enhanced capacity to understand the key issues and challenges pertaining to the oil, gas and mining development. With enhanced capacity, the CTN and extended civil society group will have a better chance to influence positively decisions on the sustainable management of these sectors.
27. The GOC and extractive industry companies will benefit from the project since increased transparency will foster further investment in the sector and meet Colombia's requirements for good governance. Private investors contemplating investments in the country's oil, gas, and mining sectors will be able to operate in a more favorable business environment.
28. **Outcomes and Impacts.** Increased transparency and increased access to information are expected to be the main outcomes of the implementation of this project. These will be measured by the following indicators: (a) the Resource Governance Index; and (b) Access to increased quantity and higher quality information.

III. PROJECT CONCEPT

A. Description

29. The proposed technical assistance will help the GOC implement the activities programmed under the Colombia-EITI National Action Plan, specifically:
- a. *Preparation and publication of the first and second EITI Reports covering the years 2013 and 2014.* An Independent Administrator (usually an auditing company) will be hired to coordinate with the CTN the scope of the EITI Reports, including contextual information about the oil, gas and mining, the materiality criteria for companies and government agencies that will report and the materiality of payments and receipts to be reconciled. The Independent Administrator will also agree with the CTN on the data templates for reporting payments and receipts. The report will explain any discrepancies found after the reconciliation. Training activities for the CTN and interested stakeholders will be programmed in the course of data gathering as well as formal training of the CTN.
 - b. *Study to assess company payments to sub-national governments and of payments for the transportation of oil, gas and minerals to government entities and state-owned enterprises.* To the extent that these revenues are material, the study will recommend an action plan to disclose them in future EITI Reports. The study will help understand the types of transportation arrangements and types of payments and rates, and the materiality of these payments. The dis-

closure of sub-national payments and of transportation payments will enhance the accountability of the sectors. Sensitization of relevant municipalities will be required

- c. *Study to identify medium and small-scale mining companies (MSM) that could participate in EITI.* A study will identify the mining operators (medium and small miners) that contribute 15 to 20 percent of sector revenues; help understand their contribution to the economy in terms of employment and revenues, the types of minerals exploited, and the main municipalities where they operate. The study will review the legal framework applicable to MSM, and will suggest a strategy to include these companies in EITI starting with the second Report.
- d. *Implementation of a communication strategy.* This includes disseminating the information produced by the EITI Report and promoting public debate at the national and regional levels around its findings and relevant extractive industry issues. A communication strategy will be prepared and a communication plan implemented. The strategy contemplates establishing a permanent communication portal involving government agencies and is interactive with the public.
- e. *Project management support.* Ensure that the adequate structure, administrative capacity and resources are in place to enable the National Tripartite Committee to implement the Action Plan.

30. **The project will be implemented in two consecutive phases.**

- *The first phase* includes activities leading to the preparation of the first EITI Report for the year 2013 to be presented by December 31, 2015. It includes training activities of the CTN, recruitment of the Independent Administrator, analytical work in support of EITI implementation and communication and outreach activities. **This phase will be financed from EITI-MDTF in the amount of US\$500,000.**
- *The second phase* will be implemented from January 1, 2016 to December 31, 2017 and will continue to support capacity building, communication and outreach activities to increase awareness on EITI and the results of the first report, as well as finance the recruitment of the Independent Administrator to prepare the second EITI Report covering the year 2014 and due by December 31, 2016 and preparatory activities for the third EITI Report. **Activities in this phase are expected to be financed by the Extractives Global Programmatic Support Multi-Donor Trust Fund (EGPS MDTF) in the amount of US\$500,000.**

31. **Other donors will provide parallel financing** as follows: Inter-American Development Bank US\$102,000 and Fundación Internación para Iberoamérica de Administración y Políticas Públicas US\$300,000. Details of their respective areas of financing are indicated in the Action Plan. The GOC has committed to provide cofinancing for this project starting in 2016.

32. The activities to be implemented and resources requested for the year 2015 and for the years 2016-2017 are stated in Table 1.

Table 1. World Bank financing of the Colombia-EITI Action Plan

Activities Financed by MDTF in 2015		Activities Financed by EGPTF during 2016-2017	
<i>a. Preparation and publication EITI Report covering the years 2013 and 2014 (Total cost US\$440,000)</i>			
i	<ul style="list-style-type: none"> • Workshops to define the scope, templates and TORs for 2013 Report. • Recruitment of the Independent Administrator. • Preparation of the 2013 Report. • Workshops to review the draft report and to approve the final report. 	<ul style="list-style-type: none"> • Workshops to define the scope, templates and TORs of the 2014 Report. • Recruitment of the Independent Administrator • Preparation of the 2014 Report. • Workshops to review the draft report and to approve the final report. 	
	Cost US\$180,000	Cost US\$140,000	
ii	<ul style="list-style-type: none"> • Learning workshops for civil society and extended group on the legal and fiscal framework and other contextual information of the extractive industries. • Formal training of MSG members 	<ul style="list-style-type: none"> • Learning workshops for civil society and extended group on the legal and fiscal framework and other contextual information of the extractive industries, defining the scope of the Report and data templates • Formal training of MSG members 	
	Cost US\$20,000	Cost US\$40,000	
iii	Publication of the EITI Report. Initial design of the printed and web versions	Complete the design of the printed and web versions of the EITI Reports; printing of 1,000 copies each of 2 reports	
		Cost US\$60,000	
	Subtotal US\$200,000	Subtotal US\$240,000	
<i>b. Study to assess sub-national and transportation payments in the oil, gas and mining sectors (Total cost US\$ 75,000)</i>			
	<ul style="list-style-type: none"> • Prepare TORs, vendor selection and recruitment. • Methodology and work plan for the study approved by the CTN. • Identification of relevant municipalities that receive material payments by oil and mining companies. 	<ul style="list-style-type: none"> • Workshops to discuss the first draft and approval of final report by CTN. • Final report approved by CTN • Sensitization of sub-national governments 	
	Subtotal US\$50,000	Subtotal US\$25,000	
<i>c. Study to identify medium and small-scale mining units and action plan to include them in EITI. (Total cost US\$70,000)</i>			
	<ul style="list-style-type: none"> • Preparation of TORs, vendor selection and recruitment. • Methodology and work plan approval by the CTN. • Execution of baseline study; identifying the contribution of medium and small-scale mining to the economy and the sector. 	<ul style="list-style-type: none"> • Strategy to promote the participation of medium and small-scale mining in EITI. • Final draft approved by CTN 	
	Subtotal US\$ 50,000	Subtotal US\$20,000	
<i>d. Raising awareness and stimulate debate around the EITI and the results of the Report (Total cost US\$250,000)</i>			

Activities Financed by MDTF in 2015		Activities Financed by EGPTF during 2016-2017	
<ul style="list-style-type: none"> • Preparation of TORs and vendor selection and recruitment • Preparation of a communication strategy and plan. • Launching of website and maintenance. • Support to communication systems of government agencies that provide information relevant to EITI when needed. 		<ul style="list-style-type: none"> • Dissemination of the EITI Report results to different population groups using adequate communication instruments engaging the CTN and extended civil society group. • Establish a permanent dissemination portal that links with all others that provide information relevant to the extractive industries value chain and allows interaction with the public. • Website maintenance. 	
US\$120,000		US\$120,000	
<i>e. Support for project management (Total cost US\$175,000)</i>			
Financing of: <ul style="list-style-type: none"> • Two full-time administrative professional staff of the National EITI Secretariat; • One financial management and procurement specialist (half time); • Operating costs of workshops, including local travel; 		Financing of: <ul style="list-style-type: none"> • Two full-time administrative professional staff of the National EITI Secretariat; • One financial management and procurement specialist (half time); • Operating costs of workshops, including local travel; and • Grant audits (US\$10,000) 	
Subtotal		Subtotal	
US\$80,000		US\$95,000	
GRAND TOTAL		GRAND TOTAL	
US\$500,000		US\$500,000	

33. Total financing for the Action Plan and the sources are indicated in Table 2, below.

Table 2. Colombia -EITI: Financing of the Action Plan, 2015-2017
(US Dollars)

Category	Total	MDTF 2015	EGPTF 2015-2017	% of Total
Total consultants' services, operating costs and training	1,402,000			100
World Bank	1,000,000	500,000	500,000	71.3
IDB	102,000			7.3
Fundación Internación para Iberoamérica de Administración y Políticas Públicas	300,000			21.4
Government Contribution: As of 2016				

B. Implementing Agency Information

34. **The Grant will be Recipient-executed.** The beneficiary of the Grant is the GOC through the National Tripartite Committee (CTN). The Ministry of Energy and Mines, Vice-Ministry of Mines and Energy, through the Vice Minister of Mines is the lead agency of the GOC responsible for coordinating the EITI implementation in the country. Any decisions regarding the use of the grant funds shall be taken by the CTN. The Committee shall have adequate input in monitoring the execution of the Action Plan financed by this Grant. **For fiduciary purposes, the Ministry of Mines and Energy (MINMINAS) will, act on behalf of Colombia-EITI, as the Implementing Agency for this grant and for budgetary allocation the funds will be incorporated through the Presidential Agency for International Cooperation (APC) –budgetary agent.** MINMINAS will be responsible for due diligence with respect to the procurement and financial management of grant funds. The APC is the government entity in charge of processing and technical coordination of international cooperation--public and private, technical and non-reimbursable--that the country receives or grants. It is also executes and administers resources, programs and international cooperation projects. The APC has successfully allocated budget for several Bank operations. Currently it has provided budget space for 14 projects in the framework of the Country Partnership Strategy 2011 - 2016, which are aligned with the objectives of the National Development plan, in the areas of infrastructure, education, social protection, peace, rural development, human rights, environment, and budget support. The MINMINAS manuals and procedures have been submitted to the Bank to support the fiduciary assessments.

35. **The Government established the National Tripartite Committee (CTN) to implement EITI in Colombia.** The President of the Republic of Colombia appointed the Ministry of Mines and Energy as the institution to lead the EITI process and the Minister designated the Vice Minister of Mines as the *Champion* responsible for its implementation. The next step was to establish the Colombia Multi-stakeholder Group to implement the EITI. The Government decided to establish the CTN consisting of nine members, three each from Government, private sector and civil society.¹¹ The selection of the members took into consideration their relevance for EITI purposes. Members from Government and the private sector were selected by direct invitation from the Minister. Civil society members were elected independently after a period of dissemination of information and sensitization of civil society organizations regarding EITI by the Civil Society Promoting Group appointed by the Ministry¹². As a result, an *Extended Civil Society Group* (21 organizations) was established and its regulations were adopted on November 26, 2013. The election results of the three civil society members to CTN was announced on January 20, 2014.

36. The Ministry of Mines and Energy formally installed the MSG, on February 6, 2014. On that occasion the CTN Regulations were approved. The members of the CTN are selected for two years renewable. Decision making is by consensus.

37. The CTN prepared the National Action Plan, fully costed and aligned with the reporting and Validation deadlines. For this effort a Technical Support Group was established consisting of MSG

¹¹ The CTN consists of the following representatives:

Government: Ministry of Mines and Energy; the Directorate of Taxes and Customs (DIAN), and the National Planning Department (DNP) which is also Secretary of the Royalty System Administration Commission.

Private sector: Ecopetrol S.A.; the Colombian Petroleum Association (ACP); and the Colombian Mining Association (ACM).

Civil Society: Externado University of Colombia; Transparency for Colombia (chapter of Transparency International); and Foro Nacional por Colombia Foundation (promotes democracy and peace).

¹² The institutions appointed for this task were Externado University of Colombia, Foro Nacional for Colombia Foundation, Transparency for Colombia and the Avina Foundation (promotes sustainable development)

members, other government institutions—the National Agency for Mining and Hydrocarbons and Mining and Energy Planning Unit—and other extractive industry companies.

38. The President of the CTN is the Minister of Mines and Energy. The Vice Minister of Mines is Head of the Technical Secretariat of the CTN. The Secretariat is located at the Ministry of Mines and Energy, and is staffed by the National Coordinator and a second full-time staff member.

V. RISKS AND SAFEGUARDS

A. Risk Ratings

39. Systematic Operations Risk-rating Tool

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

40. **Fiduciary Risk: Moderate.** The possibility that other donor pledges will not materialize or be delayed could cause the execution of the EITI Report to be delayed. In particular, collection of contextual information, training activities for the Tripartite National Committee and decisions regarding materiality need to be prepared ahead of the recruitment of the Independent Administrator. To manage this risk, the Bank will coordinate closely with donors early on.

35. **Implementing Agency Risk. Moderate.** The Bank conducted a financial management - FM and procurement capacity assessment to determine the Ministry of Mines and Energy (MINMINAS) capacity to implement FM and procurement arrangements for the project and concluded that overall fiduciary risk is moderate. The Ministry of Mines and Energy has no prior experience with Bank projects but the assessments confirmed that MINMINAS is a robust institution with a suitable legal framework, organization, support systems and staff.

- Procurement. MINMINAS will need to develop a track record of success in using bidding

documents, development procurement processes, requesting prior and post reviews, and preparing procurement plans. A procurement specialist will be recruited to reinforce the project team. Procurement arrangements would be carried out in accordance with the provisions of the legal agreement, World Bank Guidelines, including (i) Procurement of Goods, Works and Non-consulting services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” and (ii) “Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, both dated January 2011 and revised in July 2014.

- Financial management. A financial management specialist will be recruited to reinforce the project team. MINMINAS will open a Designated Account (DA) denominated in United States Dollars at the Banco de la Republica. Unaudited Interim Financial Reports (IFRs) will be submitted to the World Bank no later than 45 days after the end of semester, in form and substance satisfactory to the World Bank. A single audit of the project’s financial statements will be carried out by an independent auditor \ accepted by the Bank.

41. **Project Risk. Moderate.** The possibility that not all the companies required to reach the agreed materiality of at least 80% by type of payment will join EITI. To mitigate this risk, the Tripartite National Committee will undertake sensitization activities with the companies through the Colombian Petroleum Association and the Large Scale Mining Sector (both CTN members) and will obtain signed commitments by the major players early on. Additionally, the new mining code that will be drafted by the GOC should have provisions to mitigate this risk.

B. Safeguards. Not applicable to this grant

42. This grant concerns building client capacity (Type 1 TA) which does not have potential adverse environmental and social implications or risks, and therefore no safeguard policies are triggered. This grant involves reporting about the context of the Colombia oil, gas and mining sectors and pure accounting and disclosure of payments and revenue data, which has no safeguards issues.

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

a. Will an Appraisal stage ISDS be required? **No**

Annex 1: Results Framework and Monitoring
COLOMBIA: Implementation of the Extractive Industries Transparency Initiative (EITI)

Project Development Objective (PDO): *Support the, implementation and institutionalization of EITI in the country and enable Colombia to become EITI compliant.*

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	YR3				
Indicator One: The Colombia EITI Report approved by the CTN and published within the deadline.	<input type="checkbox"/>	Report	No EITI Reports published	First Colombia EITI Report completed and published	Second Colombia EITI Report completed and published	Selection of administrator for Third Colombia EITI Report completed	Annual	EITI website www.eiti.org and EITI-Colombia website	Information: --From government: CTN and IDB --From companies: Indep. Administrator	The Colombia-EITI Report has been reviewed by the EITI Secretariat and Board and has been published in the EITI Secretariat website and the website of EITI-Colombia
Indicator Two: The scope of the second and third Reports are consistent with the EITI Standard and adapted implementation and reflect the priorities set out by the CTN	<input type="checkbox"/>	Yes/No	No	Yes	Yes	Yes	Annual	CTN Meeting Minutes	CTN and IDB	Independent Administrator TORs for the second and third Reports reflect relevant priorities established by the CTN.
INTERMEDIATE RESULTS										
Intermediate Result indicator 1: Capacity to administer project is established	<input type="checkbox"/>	Yes/No	No	Yes	Yes	Yes	One time	CTN	MME	Two full-time consultants and one half-time consultant are hired
Intermediate Result Indicator 2: Number of training sessions of MSG and extended civil society group to build technical knowledge around EITI requirements in the Colombia context.		Number	0	2	3	3	Annual	CTN meeting minutes	CTN Coordinator	Increased ownership of the EITI by CTN members and extended civil society.

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	YR3				
<p><i>Intermediate Result Indicator 3:</i></p> <p>Analytical studies in support of increasing the comprehensiveness of the EITI Report completed, including:</p> <p>i. understanding sub-national and transportation payments to local governments to be included in future reports, and</p> <p>ii. Identification mining units (medium and small-scale) contributing 15-20% of mining revenues that could potentially be included in future EITI Reports.</p>	<input type="checkbox"/>	<p>Number of reports</p>	0	0	1	One time	Draft Report with recommendations for inclusion of payments in EITI	CTN and consultant	Sub-national payments, including transportation payments in the oil, gas, and mining companies, are disclosed in subsequent EITI Reports.	
		No. of reports	0	1		One time	Baseline study	CTN and consultant	Material payments by medium and small miners are included in subsequent EITI Reports	
<p><i>Intermediate Result Indicator 4:</i></p> <p><i>Raising awareness and outreach</i></p> <p>i. Permanent dissemination portal established connecting all relevant government entities producing information relevant to EITI that would deliver permanent contextual and payments information on the EIs to the public and interacts with the public.</p> <p>ii. No. of televised round tables and press conferences</p>	<input type="checkbox"/>	Yes/No	0	Yes	Yes	Yes	One time but updating is continuous	Communication Strategy and Plan approved by CTN	CTN and communication consultant	EITI dissemination portal is operational.
		Number	0	4	4	Annual	Press report	CTN / Communication	Public debate around extrac-	

iii. Dissemination events at national and local levels		Number	0		10	10	Annual	Videos	consultant	tive industries issues/ revenue management at the national and subnational level.
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	YR3				
<i>Intermediate Result Indicator 5:</i> Members from CTN and extended CSO benefit from formal training	<input type="checkbox"/>	Number of people trained	0	2	3	3	Annual	Matriculation in specific formal training program	MSG Coordinator	8 people receive formal training seminars on extractive industries and obtain diplomas.