



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 21-Oct-2021 | Report No: PIDC242094



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P176221		Moderate	Implementation of the Extractives Industry Transparency Initiative (EITI) in Ecuador
Region	Country	Date PID Prepared	Estimated Date of Approval
LATIN AMERICA AND CARIBBEAN	Ecuador	21-Oct-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Energy and Non-Renewable Natural Resources.	Vice Ministry of Mines	

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**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	0.60
<b>Total Financing</b>	0.60
<b>Financing Gap</b>	0.00

**DETAILS**

**Non-World Bank Group Financing**

Trust Funds	0.60
Extractive Industries Transparency Initiative	0.60

**B. Introduction and Context**

Country Context

Ecuador was admitted as the 55th implementing country of EITI this past October 15th, 2020. The proposed development objective of this project is to assist the Government of Ecuador in increasing transparency and accountability in the extractives sector by using government information systems for disclosing data and promoting a better understanding of the extractive industries value chain. With this objective, the proposed



project is aligned with the commitment of the Ecuadorian Government and its Constitution, which provides for transparency in processes and public management as a fundamental principle of its public administration.

The use of the profits of non-renewable natural resources is an opportunity to contribute to the country's economy as it can promote economic, social, and environmental development at the same time. Considering that mining has the potential to become a key driver of private sector-led growth and a significant source of foreign exchange of fiscal revenues, and that the hydrocarbons industry is still one of the main sources of income for the country, the Ministry of Energy and non-renewable natural resources has worked with civil society organizations and extractive companies in order to follow the process of joining the EITI. The EITI has been identified as a key instrument for demonstrating Ecuador's determination to adopt international standards and good practices in its management of extractive industries. A request letter from the Government of Ecuador for support of its implementation of the EITI was received on October 5th, 2020 by the World Bank.

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#### Sectoral and Institutional Context

Over the years, Ecuador's political economy has been shaped by its oil -resources revenues because they play a significant role in the national and local economy. Since 2008, with the new Constitution, the State of Ecuador became the only administrator of these resources, as well as the central receiver and redistributor of extractive industry rents in its territory.

Ecuador is the fifth largest oil producer in Latin America. While oil-related activities account for a relatively small fraction of the GDP (10 percent), oil exports represented half of the export basket during the boom years (2003-2013). Oil-related resources, meanwhile, helped finance up to 35 percent of government spending during the same period. Ecuador's dependence indicators are relatively low compared to its regional and structural peers. GDP growth is strongly correlated with changes in oil prices, even more than in peer countries.

The mining sector has gained momentum in recent years because of its geological potential, low operating costs and regulatory changes. According to the Minister of Energy and Non-Renewable Natural Resources, for this year mining (year 2021) it is expected to generate, in a pessimistic scenario, at least USD 500 million in benefits for the State. In an optimistic scenario, that figure can reach almost 900 million.

#### Relationship to CPF

The current Country Partnership Framework (CPF, 2019-2023) includes a request by GoE for technical assistance to support in the implementation of the EITI and to strengthen the institutional capacity of ARCOM, the Mining Regulation and Control Agency. The WB has already provided technical assistance to improve the mining cadaster, which is expected to increase efficiency in the process of granting mining titles and to attract investors to large-scale mining projects. EITI implementation is part of the prior actions (action #8) in the Third Inclusive and Sustainable Growth Development Policy Loan (November 20, 2020).



### C. Project Development Objective(s)

#### Proposed Development Objective(s)

To assist the Government of Ecuador in increasing operational capacity of the Technical Secretariat and the Multi-Stakeholder Group (MSG) on implementing EITI. This will increase transparency and accountability in the extractives sector by using government information systems for disclosing data and promoting a better understanding of the extractive industries value chain.

#### Key Results

- Draft framework for systematic reporting, including mapping of data sources and systems, and procedures for systematic reporting.
- Ecuador's first EITI report published and disseminated.
- Outreach/ training events held for the MSG and staff of the Technical EITI Secretariat.

### D. Preliminary Description

#### Activities/Components

The project will be implemented starting June 2021 and the main objective during the initial phase will be to draft the first EITI report according to the EITI standard, supporting the government of Ecuador in the strengthening of the Ecuador EITI Technical Secretariat and building operational capacity within the Ministry, the related government institutions and the Multi Stakeholder Group (MSG). First validation is initially planned for second semester of 2023.c

Ecuador has acknowledged that EITI implementation will enable Ecuadorian citizens to understand how the country's natural resources are managed, how much income they generate and it will improve the international perception of Ecuador's risk indicators, Fraser index and competitiveness, thereby attracting more investment to the country.

**Activity 1.** Development of a framework for systemic reporting that will involve conducting activities such as: mapping of data sources; putting systems and procedures in place for systematic reporting; reviewing the mining cadaster data; and conducting training on EITI reporting.

**Activity 2.** Elaboration and dissemination of the first EITI Report to support all activities essential to EITI implementation and meeting Ecuador's obligations as an EITI candidate country.

**Activity 3.** Capacity building for the MSG and staff of the national EITI Secretariat support to sub-committees and MSG meetings.



Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards

Relevance

ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

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Legal Operational Policies

Safeguard Policies

Triggered

Explanation (Optional)

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Screening of Environmental and Social Risks and Impacts

The environmental risk of this trust funded project is rated Low, as it does not involve any specific physical location, any physical investments having on-the-ground impacts, any impacts on natural habitats or biodiversity, or any direct generation of GHG or pollution. Potential risks are minimal. The social risk rating is Moderate, mainly because of a series of persisting issues having to do with the engagement of key stakeholders in the MSG as indigenous peoples, communities affected by extractive projects, local authorities, or artisanal miners. Otherwise, due to its nature, this operation is not expected to have an adverse impact on livelihoods, nor will it limit community-level access to natural resources or require the acquisition of land leading to physical and/or economic displacement. On the contrary, it will consist developing a framework for sharing and communicating information in a systematic way; preparing Ecuador's first EITI report; and training the staff of the Technical EITI Secretariat and the members of the Multi-Stakeholder Group. The potential risks of these activities, in and of themselves, are both minimal and manageable. Given that the objective of the grant is to increase transparency and accountability in the extractives sector of the country, it is expected to translate into positive effects for stakeholders in civil society, including vulnerable and marginalized groups such as indigenous peoples (IP), Montubios and Afro-



Ecuadorians, which could in turn establish positive new patterns for their engagement in oil and mining projects, and lower the risks of complaints or social conflicts in connection with such projects. However, access to EITI Reports and other attempts at engagement could be affected by the digital divide, especially for indigenous peoples and other rural populations without internet access.

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### Borrower/Client/Recipient

Borrower : Ministry of Energy and Non-Renewable Natural Resources.

### Implementing Agencies

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