

**PROJECT INFORMATION DOCUMENT (PID)  
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC87150

<b>Project Name</b>	Implementing Extractive Industries Transparency Initiative (EITI)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Dominican Republic
<b>Lending Instrument</b>	IPF
<b>Project ID</b>	P161434
<b>Borrower Name</b>	Dominican Republic
<b>Implementing Agency</b>	Ministry of Energy and Mines
<b>Environment Category</b>	C - Not Required
<b>Date PID Prepared</b>	19-Sep-2016
<b>Estimated Date of Approval</b>	07-Nov-2016
<b>Initiation Note Review Decision</b>	The review did authorize the preparation to continue

**I. Introduction and Context**

**Country Context**

The Dominican Republic is the largest economy of Central America and the Caribbean. Over the last 20 years, the Dominican Republic (DR) has been one of the fastest economies in the region - with an average real GDP growth rate of 5.4% between 1992 and 2014. The DR remained the fastest growing economy in the region in 2014 and 2015, with a GDP growth averaging 7.3%. Recent growth has been driven by manufacturing, tourism and construction. Exports grew 14% between 2011 and 2015, reaching US\$9.5 billion. On the demand side, private consumption has recently been strong, as a result of high level of remittances, low inflation (under 1% on average in 2015) as well as job creation.

Despite its strong growth and macroeconomic stability, the country has not witnessed significant welfare improvements, until very recently. Poverty still affects 32% of the population in 2015, an improvement vis-a-vis the spike in poverty that followed the 2003 financial and economic crisis. The Dominican economy has continued to grow robustly in 2016, though it has lost some steam compared to 2015. Analysts expect the economy to grow 5.6% in 2016 and 4.6% in 2017. According to the Central Bank, the expansion in the first trimester of 2016 has come mainly on the back of solid growth in services (8.9%) and industries (7.4%).

Since 2012 there has been a concerted effort by the government of the Dominican Republic GoDR to improve transparency, which among other things resulted in the country joining the Alliance for Open Government (2012) and the adoption of measures that strengthened fiscal transparency and debt management (2013). More recently, the government focused on improving transparency in the country's extractive industries - the country's second largest recipient of Foreign Direct Investment (FDI) - to enhance development outcomes. As part of this effort the Dominican Republic applied

and was successfully admitted as an Extractive Industries Transparency Initiative (EITI) Candidate Country in February 2016.

### **Sectoral and Institutional Context**

In the last decade the Dominican Republic experienced a significant expansion of its mining sector, which accounted for almost 50% of GDP per capita growth between 2010 and 2011 but still just 1.5% of GDP in 2015. With the restart of production in the Pueblo Viejo Gold and Silver mine in 2012, mining exports have increased accounting for 14.2% of total exports in 2015 (or US\$1.35 billion). Mining also accounted for 17.6% of all FDI inflows in 2010-2016. Artisanal and small-scale mining activity also grew in this period generating an estimated US\$20 million just in 2014. In contrast, the country's oil & gas sector remains undeveloped.

Starting in late 2014, declining commodity prices, growing environmental and social tensions and delays in mining titling, have led mining companies to delay/abandon projects. The resulting decline in FDI inflows (from US\$1.2 billion in 2012 to US\$6.1 million in 2015), in mining production/exports/fiscal revenues is a source of concern for the GoDR and for the communities directly or indirectly benefiting from mining. In this evolving context, the GoDR requested World Bank support for its on-going efforts to strengthen its institutions, including supporting the newly established Ministry of Energy and Mines (2013), to improve the management of extractives and to enhance the economic, social and environmental performance of the private sector engaged in the sector. The GoDR also requested the World Bank to support the GoDR's bid to become an Extractive Industries Transparency Initiative (EITI) Candidate Country by 2016, following the nomination of the Minister of Energy and Mines, Antonio Isa Conde as EITI Champion in May 2015.

In response, the World Bank supported the production of a scoping study to identify the reporting entities and data to be included in the Dominican Republic's first EITI report, the establishment of a national multi-stakeholder steering group, and the provision of hands-on expert training on the EITI and the EITI candidacy process. In December 2015, the MSG was formally established and in February 2016 the Dominican Republic was admitted as an EITI Candidate country at the 22nd EITI Board Meeting in Lima. The country will now have 2 years to become an EITI Compliant country (validation is expected in August 2018).

### **Relationship to CAS/CPS/CPF**

The proposed project strongly aligns with the World Bank Group's current Country Partnership Strategy (CPS) 2015-2018. More specifically, this project fits into the results area 1: "improve the investment climate and foster private sector development".

## **II. Project Development Objective(s)**

### **Proposed Development Objective(s)**

The proposed DO is to support the Dominican Republic achieve Extractive Industries Transparency Initiative (EITI) Compliant country status by 2018, in accordance to EITI Standard 2016.

### **Key Results**

The expected key results are: i) first national EITI National Report produced and disseminated in accordance with the EITI Standard; ii) public access to information on EITI and on mining sector issues is improved; iii) findings of the EITI National report and complementary dissemination materials are widely and effectively communicated to the public; iv) active and open multi-stakeholder engagement (private sector, government and civil society) around EITI and dialogue on mining sector issues.

### III. Preliminary Description

#### Concept Description

The grant would support the following activities, identified in the Dominican Republic's EITI Work plan for 2015-2017:

a) Preparation of the first EITI Report covering 2014-2015

This activity will consist in financing the hiring of a consultancy firm to prepare the first EITI report, which among other things will require performing the quality control of the information on extractives sector companies provided by the DR-EITI National Commission to ensure consistency with the EITI Standard as well as reconciling payments made by mining and oil companies to the GoDR and receipts by the GoDR. In addition, this activity will finance workshops for the members of Dominican Republic's EITI multi-stakeholder group to discuss the EITI National Report to ensure that government, companies and civil society are actively engaged.

Expected Results: (i) The Dominican Republic's EITI National Report reflects EITI Standard requirements; and (ii) government, companies and civil society were actively engaged in the process of report preparation.

Expected Outcome: A strengthened oversight of the extractives sector revenues along the value chain.

b) Support outreach and dissemination of mining sector issues as well as the Extractive Industries Transparency Initiative (EITI)

This activity will include support for the i) design and implementation of outreach activities that will communicate/disseminate the merits of transparency of extractives revenues and of the EITI process in the Dominican Republic (includes postings in government websites, newspaper articles, TV and radio spots); ii) publishing and dissemination of the results of the EITI National Report and related materials in Spanish; iii) enhancing the Dominican Republic EITI webpage; iv) engagement of local communities on the EITI process and transparency of extractives revenues by civil society organizations.

Expected Result: Effective ongoing communication and outreach on the EITI National Report and transparency of extractives revenues.

Expected Outcome: Greater awareness of citizens regarding mining sector issues as well as the EITI Standard.

### IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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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 Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	0.2	Total Bank Financing:	0
Financing Gap:	0		
<b>Financing Source</b>			<b>Amount</b>
Extractives Global Programmatic Support			0.2

#### VI. Contact point

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