

Document of
The World Bank

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Report No: PP1601

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$ 0.92 MILLION EQUIVALENT

TO THE

THE ASSOCIATION OF EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

FOR A

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE VALIDATION AND DATA
SUPPORT PROJECT

November 30, 2015

This document is being made publicly available prior to approval. This does not imply a presumed outcome. This document may be updated following management consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

CURRENCY EQUIVALENTS

(Exchange Rate Effective November 1, 2015)

Norwegian Krone = US\$

NOK 1 = US\$0.12

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CSO	Civil Society Organization
EDP	EITI Data Portal
EGPS	Extractives Global Programmatic Support
EI	Extractive Industries
EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product
GRS	Grievance Redress Service
GSG	Global Solutions Group
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFRs	Interim Financial Report
MDTF	Multi Donor Trust Fund
MSG	Multi-Stakeholder Group
OGP	Open Government Partnership
PDO	Project Development Objective
WB	World Bank
WBG	World Bank Group

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**GLOBAL: EXTRACTIVE INDUSTRIES TRANSPARANCY INITIATIVE
VALIDATION AND DATA SUPPORT**

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APPRAISAL DATA SHEET

World

Extractive Industries Transparency Initiative Validation and Data Support (P155263)

PROJECT PAPER

0000009266

Report No.: PP1601

Basic Information			
Project ID P155263	EA Category C - Not Required	Team Leader(s) Ekaterina Mikhaylova, Diana M. Corbin	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 23-Nov-2015	Project Implementation End Date 29-Dec-2017		
Expected Effectiveness Date 23-Nov-2015	Expected Closing Date December 31, 2015 for the EITI MDTF portion of the Grant December 31, 2016 for the EGPS MDTF portion of the Grant		
Joint IFC No			
Practice Manager/Manager Paulo De Sa	Senior Global Practice Director Anita Marangoly George	Country Director Charles M. Feinstein	Vice President Laura Tuck
Approval Authority			
Approval Authority CD Decision			
Recipient: Association for Extractive Industries Transparency Initiative			
Responsible Agency: International EITI Secretariat			
Contact:	Title:		
Telephone No.:	Email:		
Project Financing Data(in USD Million)			
Total Project Cost:	0.92	Total Bank Financing:	0.92
Financing Gap:	0.00		

Financing Source	Amount
Borrower	0.00
Extractives Global Programmatic Support (EGPS MDTF)	0.57
Extractive Industries Transparency Initiative (EITI MDTF)	0.35
Total	0.92

Expected Disbursements (in USD Million)										
Fiscal Year	2016	2017	2018	0000	0000	0000	0000	0000	0000	0000
Annual	0.55	0.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	0.55	0.92	0.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Institutional Data

Practice Area (Lead)

Energy & Extractives

Contributing Practice Areas

Cross Cutting Topics

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Public administration-Energy and mining	50		
Energy and mining	Oil and gas	25		
Energy and mining	Other Mining and Extractive Industries	25		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Public sector governance	Tax policy and administration	50
Public sector governance	Other accountability/anti-corruption	25
Social dev/gender/inclusion	Participation and civic engagement	25
Total		100
Proposed Development Objective(s)		
Proposed Objective is to improve the effectiveness, relevance and sustainability of the EITI by supporting the International Secretariat's work on data accessibility, EITI mainstreaming and Implementing Country validation.		
Components		
Component Name	Cost (USD Millions)	
Establishment of EITI Portal	0.30	
EITII Mainstreaming	0.15	
Implementing Country validation	0.37	
EITI Annual Global Conference	0.10	
Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any waivers of Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
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 Waterways OP/BP 7.50		X

Projects in Disputed Areas OP/BP 7.60				X
Legal Covenants				
Name	Recurrent	Due Date	Frequency	
Implementing Countries' consent for country level activities of the Recipient	Yes		Continuous	
Description of Covenant				
Schedule 2, Section IV: Prior to carrying out any activity under Parts 2 and 3 of the Project in any given Implementing Country, the Recipient shall obtain such Implementing Country's written consent for the activities to be carried out.				
Conditions				
Source Of Fund	Name		Type	
Description of Condition				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Ekaterina Mikhaylova	Team Leader (ADM Responsible)	Lead Strategy Officer		GEEDR
Diana M. Corbin	Team Leader	Senior Operations Officer		GEEDR
Evelyn Villatoro	Procurement Specialist	Senior Procurement Specialist		GGODR
Vladislav Krasikov	Sr Procurement Specialist	Senior Procurement Specialist		GGODR
Madhavan Balachandran	Financial Management Specialist	Sr Financial Management Specialist		GGODR
Andrea Maria Castro Astudillo	Team Member	Program Assistant		GEEDR
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Cecilia B. Tan	Team Member	Program Assistant		GEEDR
Chesaline M. Cuffley	Team Member	Temporary		GEEX1
Nina Chee	Safeguards Advisor	Lead Environmental Specialist		OPSPF

Extended Team					
Name		Title	Office Phone		Location
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments

I. STRATEGIC CONTEXT

A. Global Context

1. For many resource-rich developing countries, the extractive industries (EI) present an important opportunity to end extreme poverty and promote shared prosperity. Natural resource wealth has the potential to play a dominant role in 81 countries, collectively accounting for a quarter of world gross domestic product (GDP), half of world population and nearly 70 percent of those in extreme poverty.¹ More than 50 World Bank Group² (WBG) client countries are currently characterized as resource-dependent (deriving more than a quarter of public revenues or exports from the sector) and their number is growing

2. Although extraction usually increases GDP, achieving inclusive and equitable growth has presented significant challenges in many resource-rich developing countries. There is, however, an increasing body of evidence demonstrating that improved governance and anti-corruption measures are strongly linked to development gains and that these gains may be larger in magnitude for resource rich countries.³

3. Transparency is the ‘currency’ of accountability and the World Bank has been a strong supporter of global efforts to improve the transparency of client countries’ extractives sectors primarily through the Extractive Industries Transparency Initiative (EITI). The EITI is a global Standard to promote open and accountable management of natural resources. It seeks to strengthen government and company systems, inform public debate, and enhance trust. In each implementing country, the EITI is supported by a coalition of governments, companies and civil society that work together to disclose information on tax payments, licences, contracts, production and other key elements around resource extraction. This information is disclosed in an annual EITI Report which allows citizens to see for themselves how their country’s natural resources are being managed.⁴

4. Over its ten years of implementation, the EITI has managed to achieve some remarkable results. As of September 2015, reports from 39 countries, covering 248 fiscal years had so far been produced covering over \$1.64 trillion in payments from oil, gas and mining companies. Among the participating countries are OECD members such as Norway and the United States (France, the UK and Germany have committed to join), middle-income countries such as Mongolia and Peru, and lower-income countries including Papua New Guinea, DRC and Ethiopia. The EITI is supported by over 80 of the world’s largest oil, gas and mining companies, and by institutional investors with over \$19 trillion of funds under management.

5. EITI reports are important not only for the financial information they disclose. Under the requirements of the EITI Standard introduced in May 2013, each of the now 48 EITI implementing countries discloses extensive amounts of additional data and information that

¹ McKinsey Global Institute, *Reverse the Curse*, 2013

² The World Bank Group includes the World Bank (WB), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and International Center for Settlement of Investment Disputes (ICSID). In the context of this Program Document, WBG primarily refers to the first three.

³ Kaufman, D (2015) Evidence-based Reflections on Natural Resource Governance and Corruption in Africa, accessed at: http://www.resourcegovernance.org/sites/default/files/DKaufmann_YaleAfricaDevelopmentChapter.pdf

⁴ See www.eiti.org for further information

provides a contextual basis to the financial reconciliation as part of their reports. This broader array of information is designed to give greater meaning to the payment figures, and covers the key steps and data points from across the extractives value chain, including production volumes, licencing information, an overview of the legal and fiscal regimes, payments made to sub-national layers of government, employment data and beneficial ownership.

B. Institutional Context

6. The implementation of EITI Board decisions and the coordination of worldwide EITI efforts is undertaken by the EITI International Secretariat. Its role includes: outreach and advocacy, communicating and sharing lessons learned with stakeholders, managing a resource centre on revenue management and transparency, and oversight of the Validation process. The Secretariat also closely follows in-country implementation and findings of Validation processes to guide and inform the national EITI processes and ensure that there is a degree of consistency in the quality of reports produced by implementing countries.

7. With the expansion of information being disclosed through EITI reports and the challenges and opportunities that this is providing for Implementing Countries, the EITI International Secretariat has sought World Bank support in three areas that are central to the future of the initiative: Open Data, EITI Mainstreaming and Validations. The following subsections elaborate further on these issues.

1. Open Data

8. Access to open data increases awareness about how countries' natural resources are used, how extractives revenues are spent, and how land is transacted and managed. All of which promotes accountability and good governance, enhances public debate, and helps to combat corruption. While there is a considerable guidance on what to report, the EITI is still developing guidance on how to report the data requirements that are contained in the Standard in an open and accessible format. The current EITI Standard includes several provisions that address data accessibility, however, these tend to be addressed at the end of the EITI reporting process, rather than as a key principle underpinning the EITI's work.

9. As a result there is a lack of consistency in the way the various information disclosures required under the Standard are reported. This makes it difficult and labour intensive to use the data to make comparisons across countries, across commodities and it limits the value of EITI data beyond national boundaries. (Some organisations, particularly Natural Resource Governance Institute (NRGI), have made an effort to unlock and analyse the data reported by implementing countries, but comparability has been hampered by the lack of consistency in the reporting to date) It also prevents country data to be understood against the bigger picture of global trends and comparisons, which compromises the ability of EITI data to play a role in budget discussions and national debates, and may raise questions about reliability of the data.

10. In response to these issues, the International Secretariat introduced in January 2015, a requirement for implementing countries to submit to the Secretariat a summary data template of the key financial findings of their EITI reports. The template aims to improve the consistency of data across countries by presenting national revenue streams according to a uniform

classification and presentation. It also provides a credible basis for comparing EITI data from different EITI Reports. The information contained in these templates is housed on the EITI website managed by the International Secretariat, with links to implementing country EITI home-pages for further information and more disaggregated data sets. *The data portal that is proposed to be developed under this project will enable this summary and selected contextual information to be accessed and used far more effectively than is currently possible.* It should be noted that the development of the data portal is part of a larger attempt to improve the accessibility and usefulness of EITI information.

11. A draft policy paper released in mid-2015 for agreement by the Board in early 2016 sets out the initiative's position on open data, suggests refinements to the EITI Standard to promote open data approaches at the country level and recommends the development of data standards to improve the consistency and comparability of the global EITI dataset. As the template will include contextual information in addition to the financial data, greater comparisons would be possible across countries.

2. Mainstreaming

12. In addition to increasing the openness and accessibility of the data disclosed through the EITI process, the EITI Board and the wider international movement is increasingly focused on the emerging issue of “mainstreaming” the disclosure of EITI information into standard government reporting systems and processes. To date, revenue data from more than 248 fiscal years have become transparent through standalone EITI reports. However, there is a growing consensus among stakeholders that, in the long term, extractive industry transparency should not be confined to the EITI and expensive reconciliation exercises, but become an integral part of how governments manage their sector.

13. Rather than relying on the EITI reporting mechanism to bring about transparency, governments implementing and ‘mainstreaming’ the EITI could, to a greater extent, make the information required by the EITI Standard available through government and corporate reporting systems such as databases, websites, annual reports, and portals. Moving from the disclosure of data through a stand-alone EITI report to government and company would have the added benefit of enabling disclosures to be made closer to real-time, rather than the two-year delay that is typical in most EITI reporting.

14. Mandatory reporting requirements in various jurisdictions and the Dodd-Frank and EU Directive if/when implemented will also increasingly make company figures publicly available. Some companies are also publishing financial data in annual reports; some countries including Timor-Leste have already decided to begin work on mainstreaming their EITI disclosures, and other countries like Norway and Peru have expressed an interest. In some cases such as in Kazakhstan, there are already reporting mechanisms in place that the EITI can build on. In Indonesia such systems exist, but are incomplete and require improvements.

15. Non-reporting related aspects of the EITI, such as oversight by the multi-stakeholder group (MSG) would still be maintained, not least given the important role that the MSG plays in building trust, discussing identified reforms resulting from disclosure of EITI data, and

furthering the conversation about transparency and accountability in implementing countries. Over time, EITI reports would focus less on compiling data, and more on summarizing and analysing data that is already in the public domain.

16. This ‘mainstreaming’ agenda is strongly aligned with the Open Government Partnership (OGP) - an international platform for domestic reformers committed to making their governments more open, accountable, and responsive to citizens. Under the OGP governments commit to increasing the timeliness, availability and accessibility of information and data on government spending, policies and programs. Since its launch in 2011, the OGP has grown to include 66 participating countries and is supported by the World Bank, which has formed an Open Government Global Solutions Group (GSG) to assist client countries in governing in a more open environment

17. At the June 2015 EITI Board meeting in Brazzaville, the EITI Board recognized the importance of mainstreaming the EITI into national systems and noted the need for pilot projects. *The mainstreaming activity that is proposed to be undertaken through this project would involve developing and piloting a framework for mapping out and testing alternative ways to disclose data and sharing information among volunteer implementing countries.*

3. Validation

18. Validation is an essential feature of the EITI process. It serves to assess performance and promote dialogue and learning at the country level. It also safeguards the integrity of the EITI by holding all EITI implementing countries to the same global Standard. In practice, Validation is an independent and impartial evaluation of whether implementing countries have satisfactorily met all seven requirements of the EITI Standard (See Table 1 below)

Table 1. The Seven Requirements of the EITI Standard

<ol style="list-style-type: none">1. Effective oversight by the multi-stakeholder group.2. Timely publication of EITI Reports.3. EITI Reports that include contextual information about the extractive industries.4. 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.5. A credible assurance process applying international standards.6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.7. The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation.

19. Validation is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. The findings of the Validation report also address the impact of the EITI in the country being validated, implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for

future implementation of the EITI. It should also be noted that in future validations, validators will be asked to highlight opportunities for mainstreaming.

20. In 2013, the EITI International Board made the decision to shift the responsibility for procuring and managing all validations from individual implementing countries to the International Secretariat. It was recognized that this approach would improve the consistency and quality control of validation services, streamline the procurement process and alleviate any scope for a perceived conflict of interest; some stakeholders had previously questioned the appropriateness of implementing countries paying for and managing their own Validation assessments.

21. While the current validation system has served the EITI relatively well in the past, there are growing concerns among stakeholders that it appears outdated and no longer fit for purpose as the EITI continues to expand both in membership and in scope. It has been argued that:

- a. The current validation system fails to recognize the diversity across implementing countries and the progress that is made on many aspects of the EITI Standard.
- b. The current nomenclature sends misleading signals to implementing countries by suggesting that “the job is done” if the country achieves compliance, or that there has been meaningful progress when there may in fact be significant shortcomings.
- c. The current use of validation firms is expensive, inefficient and risks not providing a true reflection of implementation efforts and the EITI’s impact.

22. Based on these concerns, the Board approved in Bern in October 2015, a series of five pilots of an alternative approach to validation that would reduce the cost of the validation process to a more sustainable level and give more recognition to the diversity of implementing countries. Under the revised model compliance with all seven of the EITI Requirements, would remain a core requirement. But in addition, efforts to go beyond the EITI Requirements and the direction of progress towards meeting each of the EITI requirements would be included in the assessment.

23. *The proposed validation component of the project would provide the International Secretariat with the additional funds necessary to complete the five pilot validations, and after pilots are completed, partial funding for the 32 remaining countries due for validation in 2016/17.* Based on the decision of EITI Board Meeting of October 2015 in Bern, the pilots will be conducted in countries overdue for validation in 2015, in order to test the methodology as to be applicable to EITI Standard of 2013. In the first quarter of 2016, the same 7 countries and four additional will be required to full validation using the lessons learnt from the pilots.

4. Global Conference

24. The EITI Articles of Association require that an EITI Conference be held at least every three years in order to provide a forum for EITI stakeholders, to further the objective of the EITI Association and to express their views on the policies and strategies of the EITI Association. It is also the forum in which the EITI Chair and Board are elected and key policy decisions, such as amendments to the Standard, are voted on.

25. The 2016 EITI Conference will focus on highlighting the results from implementing the EITI Standard, informing policy dialogue, and integrating the EITI into how governments and companies operate. Speakers and participants include high-level representatives from governments, extractive companies, investors, civil society and international organisations. The 49 implementing countries will present progress and innovations in a National Expo alongside the Conference. *The proposed Global Conference component of the project will provide limited funding to enable implementing country participation at the conference.*

C. Higher Level Objectives to which the Project Contributes

26. WBG has a strong track record of assisting countries to improve the transparency, sustainability and development impact of their extractive industries, including through the implementation of the EITI. This support was, in part, a response to the Bank's internal 2004 **Extractive Industries Review** that identified the need for improved governance of the extractive industries to be a critical aspect of the World Bank's work in client countries. The World Bank and other multilateral development banks have since committed to supporting the EITI as a global initiative in the context of their strategies for governance and extractive industry sector reforms. The World Bank has also committed to EITI as part of its global **Governance and Anti-Corruption Strategy** and is consistent with numerous global good governance initiatives supported by the WBG.

27. The World Bank's support to the EITI commenced in 2004 with the establishment of the **EITI Multi Donor Trust Fund**. Currently comprising 15 donor partners and \$67.5 million in contributions, the EITI MDTF has been central to the success of the Initiative and the major source of donor funding and technical assistance for EITI-implementing developing countries.

28. At the country level, the EITI MDTF has helped to build consensus for EITI implementation, establish multi-stakeholder structures to design and manage the initiative and ensure that the process produces lasting impacts in terms of improved transparency, accountability and sector governance. EITI-MDTF recipient-executed grants have also been used to fund the production of EITI scoping studies, reports and communication and outreach activities. Globally, the MDTF has financed a wide range of activities including knowledge and analytical products, regional and global training activities, CSO support funds and outreach to prospective candidate countries. In June 2015, the World Bank and development partners restated their commitment to the EITI through the establishment of the **Extractives Global Programmatic Support (EGPS) MDTF**. The EGPS includes a pillar of support dedicated to EITI implementation and will replace the EITI-MDTF that will close on 31 December 2015.

II. PROJECT DEVELOPMENT OBJECTIVE

29. The Project Development Objective is to improve the effectiveness, relevance and sustainability of the EITI by supporting the EITI International Secretariat's work on data accessibility, EITI mainstreaming and Implementing Country Validation.

Project Beneficiaries

30. The project has a range of beneficiaries. The *direct* project beneficiary is the EITI International Secretariat, based in Oslo, which supports EITI implementation among the Initiative's 48 member countries. *Indirect* beneficiaries include:

- a. Stakeholders from EITI Implementing countries, including governments, MSG members and civil society. Civil society groups have been particularly supportive of efforts to improve the accessibility and comparability of EITI data, while a number of governments have signalled their interest in moving away from EITI reports and using government systems to disclose more information in a more timely manner.
- b. The EITI International Board, which represents implementing countries, supporting countries, civil society organizations, and industry and investment companies and which supports these activities in order to improve the impact and sustainability of the EITI.

PDO Level Results Indicators

- a. Improved accessibility and use of EITI summary data measured through the number and behavior of users on the new country pages and user downloads of, engagement with, and feedback on, the visualization and analytical tools
- b. The presentation of a strategy and action plan for EITI mainstreaming to EITI Board
- c. The completion of validation assessments for countries immediately due to undertake validation

III. PROJECT DESCRIPTION

31. The project will be financed from three sources – the EITI MDTF (for selected activities that can be completed by December 2015, given closure of the EITI MDTF) and the EGPS MDTF (for activities to be carried out between January and December 2016). The EITI Association will contribute to the Project in the form of the EITI staff costs and co-funding of some of the activities, as needed. Implementation period is from October 1, 2015 (the project includes retroactive financing) through December 2016. The following four components are proposed:

32. **Component 1 – Supporting the establishment of an EITI data portal hosted and managed by the EITI International Secretariat (\$300,000, all from EITI MDTF).** The objective for this component is to develop the EITI Data Portal (EDP). The EDP will be a website where users from around the world will be able to understand how governments manage natural resources, access open data as collected by the EITI in implementing countries, and follow the value of the natural resources from the ground all the way into the state coffers. *The grant will finance the first phases of the consultants' services to develop the EDP (the remainder of the development costs under this assignment and any related equipment requirements will be financed by the EITI Association).*

33. Non-technical users will be able to see the data from and understand the various steps in the process of translating natural resources into government income, and follow the steps in each of the 48 countries, using visualised data such as maps and charts. Technical users (academics, government officials, investors, developers) will be able to access the raw structured data for analysis, integration with other systems or applications. Underpinning these uses will be a flexible datastore solution, with an input front-end for authenticated users. This data input front-end will be a furtherance of completing the EITI Summary Data Template. The Datastore will make use of the relevant data standards identified in the World Bank-commissioned scoping study on data standards, which provides recommendations on reporting formats for data, with the aim of standardizing information across countries

34. The website itself will be responsive, work in low-bandwidth environments, multi-lingual and with excellent search engine optimisation and present content in ways that can be easily shared in social media. The EITI website currently averages 15,000 users per month. It is envisaged that the number of users will increase significantly once the new portal is active. The EITI will host the next Global Conference in February 2016 in Lima, Peru. At this event the new EITI website will be showcased and launched.

35. **Component 2 – Support to the EITI mainstreaming agenda, including a series of pilots in a range of implementing countries. (\$150,000, all from EGPS MDTF).** The objective of the pilots is to assess options for the disclosure of EITI data through government and company systems rather than necessarily via an annual EITI reporting process. The aim is to assess how the timeliness and accessibility of data can be improved through this ‘mainstreamed’ approach to disclosing the information without compromising data reliability or comprehensiveness. Embedding the capacity for timely EITI disclosures into existing systems, or building and improving systems that are not limited to disclosing EITI data, is also likely to reduce the financial costs of the EITI process in implementing countries. Implementing countries will be approached and encouraged to participate and briefings and feedback will be sought from MSGs and other country stakeholders. *The grant will finance consultants’ costs to support the International Secretariat in undertaking the pilots, and associated incremental operating costs, including travel, for the International Secretariat and consultants.*

36. The pilots are expected to map out alternatives to reconciliation for ensuring the reliability of revenue data. EITI countries not formally part of the pilot will also be encouraged to explore ways to strengthen transparency in government and company operations and to seek embedding EITI disclosure into existing systems.

37. Countries participating in the pilots will be encouraged to explore ways of integrating EITI disclosure into existing government and company mechanisms. The pilot would not affect the scope of disclosure (i.e. all information required to be disclosed under the EITI Standard will still be disclosed), but offers flexibility in how data is disclosed. Participating countries will produce EITI Reports that rather than containing all the information required in the Standard point to where information is available and assess the reliability, comprehensiveness and usability of the available data. The EITI Report is expected to fill any gaps if data available elsewhere is incomplete, and to provide a framing context.

38. The International Secretariat will oversee the pilots, maintaining regular consultations with the World Bank and other partners and regular updates to the Implementation Committee. Based on the findings from the pilot, the International Secretariat could develop further guidance material to assist implementing countries considering mainstreaming transparency.

39. **Component 3 – Supporting the Implementing Country validations. (\$370,000, with \$50,000 from EITI MDTF, and \$320,000 from EGPS MDTF).** In 2013, the EITI International Board made the decision to shift the responsibility for procuring and overseeing all validations from individual implementing countries to the International Secretariat, and the EITI-MDTF Management Committee agreed to fund this work from the EITI-MDTF starting in 2015. The objective of this component is, therefore, to provide the funding necessary to enable the International Secretariat to procure the services of appropriately qualified consultants to undertake the validations that are currently due. that the EITI MDTF will cover the cost of the pilot validations testing methodology considering 2013 EITI Standard (7 pilots) (sub-component 3.1) and EGPS MDTF will finance full validation process of up to 11 countries that will be conducted using lessons learnt from pilots (sub-component 3.2). *The grant will finance consultants’ costs and associated incremental operating costs for International Secretariat to undertake validations.*

40. **Component 4 – Supporting the EITI Global Conference (\$100,000 from EGPS).** This component will fund all or part of the following aspects: (a) participants from implementing countries; (b) EITI National Expo as part of the Global Conference; and (c) simultaneous interpretation of sessions in key EITI languages to enable participants from different regions to fully participate in the Conference. *The grant will finance the cost of consultants’ services, incremental operating costs and training..*

A. Project Cost and Financing

41. The financing will split between two MDTFs – EITI MDTF and EGPS MDTF. International Secretariat will support the project through in-kind contributions. The grants will finance 100% of eligible costs. Financing of the project is as follows.

Project Components	EITI MDTF Financing	EGPS MDTF Financing	Total Cost
1. The establishment of an EITI Data Portal hosted and managed by the International Secretariat	300,000		300,000
2. Support to the EITI mainstreaming agenda, including a series of pilots in a range of implementing countries		150,000	150,000
3. Funding support to Implementing Country validations	50,000	320,000	370,000
4. Global Conference		100,000	100,000
Total Project Costs	350,000	570,000	920,000

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

42. The Association for Extractive Industries Transparency Initiative⁵ will be the Recipient for this grant. The International Secretariat is responsible for day-to-day running of the EITI Association under the direction from the EITI Board through its Chair. As such, it will be the Implementing Entity under the Financing Agreement and will be responsible for implementation of the grant activities, procurement, financial management, monitoring and evaluation of the grant activities and reporting.

43. The International Secretariat has a long and close history of cooperation with the World Bank on EITI implementation and is familiar with the Bank's procedures. In recent years the International EITI International Secretariat has been engaged under Bank-executed vendor contracts (funded by EITI Multi-Donor Trust Fund) to support EITI implementation, including for training and learning events for EITI countries. The Secretariat has extensive experience with EITI Validation and clear and well established procedures for procurement, implementation and approval of EITI validation reports. The development of the open data portal is an extension of an existing (albeit limited) service. The staff needed to oversee and support these projects are already in place.

44. An integrated assessment framework of the International Secretariat's financial management systems has been successfully completed as part of the appraisal, and results and recommendations are included in the Appraisal Section IV of this Project Paper.

45. For activities that will need to be implemented at country level, in particular those under Component 2 – Mainstreaming, and Component 3 – Validations, the EITI International Secretariat will secure written authorizations from the relevant authorities to conduct these activities in their respective countries prior to engaging in such activities. Such approvals are already required by the validation process given that it involves in-country interviews with stakeholders and assessments of government disclosures. For the mainstreaming pilots, prior consent will be sought from Government officials and the pilots would need to be in substance and form acceptable to the Bank. Copies of letters authorizing country level work under components 2 and 3 will be provided to the Bank by the International Secretariat prior to each such engagement.

B. Results Monitoring and Evaluation

46. Monitoring and evaluation would be managed by the International Secretariat with input and oversight from the EITI Board and its Validation, Governance and Implementation sub-committees. Project monitoring and evaluation will include the following:

⁵ The EITI International Secretariat was established in Oslo in September 2007. The Association is registered as a non-profit association organized under Norwegian law ("forening").

- (a) **Project Reports:** The International Secretariat will prepare status reports on the implementation of the project activities as part of the terms of the Implementation Grant Agreement. These reports will be submitted on a bi-annual basis no later than 45 days after the end of each reporting period to the Bank. These reports will also include all EITI MDTF/EGPS results framework and publication requirements, as well as the status of the Project Results Framework: PDO and Intermediate Results Indicators, when applicable and as contained in Annex 1.
- (b) **Interim Financial Report (IFRs):** will be provided at least bi-annually for disbursement purposes in the format agreed with the Bank.
- (c) **Completion Report:** With input from EITI Board committees, the International Secretariat will prepare a completion report within six months of the EGPS MDTF grant closing, to ensure that the objectives outlined in the Grant Agreement are met and there is a plan for their sustainable continuation. Given that EITI MDTF closes prior to completion of the overall project, the EITI part of the project will submit a detailed progress report by June 30, 2016.
- (d) **Financial Statements:** The International Secretariat will be required to prepare financial statements that reflect the operations, resources, and expenditures related to the activities detailed in the Grant Agreement. The requirements for periodic reporting and independent auditing of financial statements will be included in the Grant Agreement. Given earlier closure of EITI MDTF part of the project, there will be an annual audit for this project.

C. Sustainability

47. The EITI Board, Secretariat and stakeholders more generally are aware of the need to reduce the reliance on donor funding to improve the long-term sustainability of the Initiative. The mainstreaming work proposed within this project reflects, in part, an effort to reduce implementation costs and improve country ownership of the initiative.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

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	L

8. Stakeholders	L
9. Other: program and donors	L
OVERALL	L

B. Overall Risk Rating Explanation

48. Overall risk is rated as low. The International Secretariat has existing, capable staff with strong technical expertise, and a strong track record in the management and procurement of validation and web development and design services. The International Secretariat has also previously managed knowledge activities like the proposed mainstreaming pilot. The overall EITI initiative is a mature program (since 2004) and has built strong global support and recognition as described in Background sections. While adjustments may be made to the overall governance of EITI, these will not be affecting program fundamentals.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

49. The activities in the proposed project are aimed at improving the effectiveness, relevance and sustainability of the global EITI initiative by supporting the International Secretariat's work on data accessibility, EITI mainstreaming and Implementing Country validation. As the value and benefits derived by these activities will transfer from the International Secretariat to the 48 countries participating in the EITI process that it serves, the cost-benefit analysis, while difficult to quantify, stands up well to scrutiny.

B. Technical Issues

50. The activities covered in the proposed project have all been endorsed and will be monitored by the EITI Board and the relevant subcommittees, which oversee the strategic direction of the EITI and the work of the International Secretariat.

C. Financial Management

51. The International Secretariat will be responsible for financial management and disbursements of this grant. The Bank performed a simplified financial management assessment of this proposed project in accordance with OP/BP 10.00 and the Financial Management Practice Manual (issued by the Financial Management Sector Board in March 1, 2010). The assessment concluded that the International Secretariat has an adequate financial management system in place that can provide, with reasonable assurance, accurate and timely information on the status of the funds as required by the Bank. The overall FM risk-rating assigned to this project at appraisal stage is medium.

52. **Disbursement categories and eligible expenditures.** The project will use two disbursement categories as indicated in the table below.. It will finance consultants’ services, incremental operating costs, and training.

Category	Amount of EITI MDTF (expressed in USD)	Amount of EGPS MDTF Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants’ services and Operating Costs under components 1 and 3.1	350,000		100%
(2) Consultants’ services and Operating Costs under components 2, 3.2 and 4 of the Project; and Training under component 4		570,000	100%
TOTAL AMOUNT	350,000	570,000	920,000

For purposes of the table above:

- (a) the term “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of communication and insurance costs, banking charges, document duplication/printing, interpretation services consumables, travel cost and per diem for Project technical staff for travel linked to the implementation of the Project; and
- (b) the term “Training” means the reasonable costs, as shall have been approved by the World Bank, for travel and subsistence of Implementing Country participants at the EITI Global Conference.

53. **Retroactive Financing.** The project will allow retroactive financing for up to \$70,000 equivalent under the EITI MDTF Grant commencing after October 1, 2015.

54. **Staffing Capacity:** project FM functions including accounting, budgeting, flow of funds, as well as the preparation of financial and disbursements requests to be submitted to the Bank, will be carried out by the implementing entity’s financial management staff.

55. **Budgeting:** financial management procedures are carried out in line with the national legislation and rules and policies of external donors providing funding to EITI. The Association for the Extractive Industries Transparency Initiative provides annual financial reports and updates to the EITI Board throughout the year. The reports present data by project, project activities and budget lines and include: approved budget, income (revenues), expenditures, variance (between budget and revenues, budget and expenditures, revenues and expenditures), and reconciled bank accounts.

56. **Flow of Funds and Disbursements:** the EITI Association for the Extractive Industries Transparency Initiative will open a designated account and will directly draw down on the Designated Account in order to ensure smooth flow of funds for the implementation of Project activities. An Indicative Schedule of Advance Payments and Final Reimbursement will be included in the Disbursement Letter. Requests for withdrawal of Grant funds will be made in accordance with schedule agreed EITI International and the World Bank. Disbursements will be subject to the attainment of these milestones, which will be verified by the Bank team through the project's monitoring and evaluation system.

57. **Financial Reporting:** The implementing entity will prepare consolidated semi-annual unaudited Project Interim Financial Reports (IFRs). The IFR report will be prepared on a cash basis, in US Dollars and furnished to the Bank no later than 45 days after the end of each semester.

58. **External Audit:** financial statements will be audited by external audit firms. The EITI International Secretariat will use its existing auditor (selected and financed by International Secretariat), to which this project audit will be added under ToRs to be agreed with the Bank. The audit will include a review of grant compliance and eligible expenditure. The audit will be submitted to the Bank no later than six months after the end of each year⁶.

59. **Supervision Strategy.** The Bank will review the implementation of FM arrangements and FM performance, identify corrective actions if necessary, and monitor fiduciary risk. It will include: (a) reviewing of IFRs; (b) reviewing of the auditors' reports and follow-up of any issues raised by auditors in the management letter, as appropriate; and (c) participation in project supervision, including at least one on site-visit and one desk review per year.

60. **Risk Assessment.** The main FM risk for the project arises from EITI International not having experience in managing WB grants and this can cause some delays in the periodic reporting and other RETF requirements. Risk mitigating measures will include contacting the grant recipient FM team and follow-up by the TTL on the reporting requirements. On the basis of the Bank's FM assessment, the overall FM residual risk is considered **medium**.

D. Procurement

61. Selection of consultants services shall be conducted in accordance with: (i) "Guidelines: Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by WB Borrowers," dated January 2011 and revised July 2014; and (ii) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants," dated October 15, 2006, and revised in July 2014.

62. The grant funds for this project, will fund consultant services and incremental operating costs. In case there are jointly co-financed activities with the International Secretariat (such as for example due to possible contribution of other donors during the project implementation, the

⁶ It is noted that the audit will be required by June 30, 2015 for EITI MDTF funded part of the project given closure of the main EITI MDTF on June 30, 2016.

procurement process will follow Bank rules and procedures as indicated above and the review of the procurement activities and decisions will remain in the Bank hands.

63. **General Features:** The existing Procurement Cycle Management is adequate and satisfactory. The system is clear and comprehensive. Annual work plans and budgets are approved by EITI Board. The EITI Secretariat has a staff manual that includes standard operating procedures including procurement. Advertisements are published on the EITI website. EITI Secretariat has not adopted procedures for bidder's suspension and debarment due to the fact that the volume of procurement is not high. Regardless the value it is recommended that EITI Secretariat establishes clear procedures on suspension and debarment. The secretariat will need to consult the World Bank external website to check the names of the firms or individuals that are ineligible to be awarded a World Bank financed contract for the periods indicated because they have been sanctioned under the Bank's fraud and corruption policy as set forth in Procurement and Consultant Guidelines.

64. **Basis of Transparency:** Though there is no legal or regulatory framework for public disclosure, the EITI Secretariat has an open policy. Technical proposals received may be shared with MSG, the Validation Committee and other interested parties. The results of the scores allocated and related ranking is also made publicly available. Tender opportunities are widely publicized via EITI website, newsletters and other circulars of wider distribution. The procurement process including evaluation, recommendation and contract award are adequate and acceptable.

65. **Procurement Planning:** EITI Secretariat prepares annual work plans and budgets for its activities which are subject to approval by the EITI Board. There is no Procurement Unit, but Secretariat staff have experience in overall procurement process. Bidding documents are acceptable. The Secretariat adopted separate templates for goods, works and consulting service procurement. The procurement methods and related procurement process e.g. advertisement, receipt and opening of bids, bid examination, evaluation, contract award and effectiveness as well as Contract Administration steps are clear and comprehensive. The secretariat maintains comprehensive records using computerized system for filing of procurement documentations.

66. The simplified procurement plan is provided below.

Activity Ref.	Activity Description	Estimate Cost (US\$)	Type of Procurement	Procurement Method	Review by Bank (Prior/Post)	Contract Signing Date (planned)	Contract Completion Date (planned)	Comments
1	The establishment of an EITI Data Portal.	900,000 (of which 300,000 from the grant)	CS	QCBS	Prior Review	November 25, 2015	April 30, 2016	This contract is co-funded by the Client for phases after December 2015
2	Support to the EITI mainstreaming agenda.	150,000	CS	CQS	Post	January 2016	June 2016	
3	2015 Pilot Validation of 5 countries	50,000	CS	CQS	Prior	November 2015	December 2015	

Q1 2016 Validations (11 countries)	110,000	CS	CQS	Prior	January 2016	April 2016	Selection will be undertaken in quarterly batches with each country validation being a separate contract. Prior review will apply to 1 st contract only in the first batch.
Q2 2016 Validations (4 countries)	40,000	CS	CQS	Post	April 2016	July 2016	
Q3 2016 Validations (6 countries)	60,000	CS	CQS	Post	July 2016	October 2016	
Q4 2016 Validations (11 countries)	110,000	CS	CQS	Post	October 2016	December 2016	

E. Environment and Social (including Safeguards)

67. This grant supports the conduct of technical advisory and analytical work under the auspices of the EITI – a global transparency and good governance movement. The direct beneficiaries of this work are based in Oslo, Norway. The project is expected to have no adverse environmental and social implications or risks, and therefore no safeguard policies are triggered. Therefore, per OP 4.01 Environmental Assessment, the proposed project is classified as a Category C Project.

F. World Bank Grievance Redress

68. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

EITI Validation and Data Support Project

Project Development Objective (PDO): To improve the effectiveness, relevance and sustainability of the EITI by supporting the International Secretariat’s work on data accessibility, EITI mainstreaming and implementing Country validation

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				
Component One: Improved accessibility and use of EITI summary data measured through the number of hits on the EITI website and user engagement with, and feedback on, the visualization and analytical tools	<input type="checkbox"/>	Website hits Number	Currently 15,000 hits on the EITI website	20,000	50,000	Annual	Report	International Secretariat	Indicates the number of users accessing the website and their views/ perceptions of the value and functionality of the portal
Component Two: The presentation of a strategy and action plan for EITI mainstreaming to EITI Board		Number	0	0	1	Once	Board papers	International Secretariat	Indicates that the Board has received a summary of outcomes and has agreed next steps
Component Three: The successful completion of the validation pilot leading to an improved and more sustainable validation methodology for subsequent validation assessments		Number	Validations currently outstanding	5	11	Annual	Reports, board papers	International Secretariat	Indicates that the validations have been undertaken
Component Four: Supporting the EITI Global Conference				1	1	Once			
INTERMEDIATE RESULTS									
Intermediate Result									
The establishment of a new EITI Data Portal that is operational by the EITI Global Conference in February 2016.	<input type="checkbox"/>	Yes/No	There is currently no data portal	Yes	Yes	Once	Website	International Secretariat	Indicates that the portal has been established and accepted by the IS
The completion of mainstreaming pilots across Implementing Countries with varying institutional capacities and levels of sector development	<input type="checkbox"/>	Number	No mainstreaming report currently available	1	3	Once	Reports	International Secretariat	Indicates that the pilots have been completed

The submission of a report to the EITI Board on the lessons learnt through the pilot process and recommendations for the way forward for the mainstreaming agenda		Number	None	0	1	Once	Board papers	International Secretariat	Indicates that the Board has received a summary of outcomes and has agreed next steps
Number of participants in the EITI Global Conference 2016 supported through the grant	<input type="checkbox"/>	Number	0	10	10	Once	Reports	International Secretariat	Indicates that the pilots have been completed

***Please indicate whether the indicator is a Core Sector Indicator (see further <http://coreindicators>)**

****Target values should be entered for the years data will be available, not necessarily annual**

