

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

Report No.: PIDC23691

Project Name	Extractive Industries Transparency Initiative Validation and Data Support
Region	OTHER
Country	World
Sector(s)	Public administration- Energy and mining (50%), Oil and gas (25%), Other Mining and Extractive Industries (25%)
Theme(s)	Tax policy and administration (50%), Other accountability/anti-corruption (25%), Participation and civic engagement (25%)
Lending Instrument	Lending Instrument
Project ID	P155263
Borrower Name	International EITI Secretariat
Implementing Agency	International EITI Secretariat
Environment Category	C - Not Required
Date PID Prepared	15-Jul-2015
Estimated Date of Approval	15-Jul-2015
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

For many resource-rich developing countries, 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. More than 50 World Bank Group (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. Global demand for scarce natural resources is increasing rapidly in order to supply energy, petrochemicals, and metals for industry, particularly in fast growing middle-income countries. This trend is projected to continue as global population approaches nine billion by 2050. And, as emerging economies improve living standards for billions of people, projected demand for the services provided by mineral industries will also increase significantly.

There is an important development driver underlying the above trends. An imbalance between growing mineral demand and stagnant reserves has been building for nearly two decades and the extractive industries have responded by moving into new countries with little or no experience in developing their oil, gas and mining wealth. Accompanying this geographic shift is the fact that natural resources have the potential to generate increased flows in trade, investment, infrastructure, and government revenues that vastly exceed official development assistance and investment in global public good agendas. Although extraction usually increases GDP, achieving inclusive and

equitable growth has presented significant challenges in many developing countries.

Critical issues to address in resource-rich developing countries include the lack of resource governance capacity (human and institutional), which can limit government revenues, stimulate corruption, bribery, and/or other illicit activities. Low trust and lack of meaningful dialogue between governments, the private sector and local communities can contribute to fragility and conflict, and human rights abuses. Other challenges include broader governance issues that impact all stakeholders involved in the sector, including industry (social license to operate, illicit trade, etc.), government (decreased revenues, upholding good practices/standards, etc.), and communities (health, education, etc.).

Increasingly, client governments and companies are seeking support from the WBG to find mutual accommodation around the key challenges of developing resources and infrastructure on terms acceptable to each. Many countries are demanding higher shares of EI revenues and contractual arrangements that are favorable to broad economic development, recognizing that extractives projects can be a catalyst (and carry large portion of costs) for major investments in infrastructure and human development. In fact, revenues from EI in many instances dwarf official (donor) aid.

The WBG is currently active in the extractive industries in about 70 countries and is the largest provider of extractives-related development assistance by a significant margin. Cumulative investment by WBG into the extractives sector over the past decade was about \$9 billion. The overall volume of FY2014 financing was US\$779.9 million compared with US\$1,329.4 million in FY2013. World Bank financing accounted for US\$243.5 million for policy advice and capacity building. In support of private sector investment, IFC provided US\$441.4 million of financing and MIGA provided US\$95 million of risk coverage. Compared to FY13, when a significant exposure by MIGA in Cote d'Ivoire accounted for roughly half of the WBG commitments in the sector, the FY14 program was in line with the average level of investments over past years. In addition, the World Bank provided grants funded by partners of roughly US\$7.2 million. Total WBG EI commitments were about 1.2 percent of total WBG financing in the year.

Sectoral and Institutional Context

Extractive Industries Transparency Initiative (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 it is supported by a coalition of governments, companies and civil society working together. EITI is an international standard for openness around the management of revenues from natural resources. Governments disclose how much they receive from extractive companies operating in their country and these companies disclose how much they pay. This information is reconciled independently before being published and disseminated to the public. While natural resource revenues can potentially have transformative impacts on local development, if they are not carefully managed they can result in corruption and conflict. EITI brings transparency to the revenue payment process in an effort to track revenues and see that they end up where they are intended.

EITI process is overseen by the EITI Board and supported by International EITI Secretariat, a not-for-profit organization which is currently located in Oslo, Norway. The World Bank administers the EITI Multi-Donor Trust Fund (EITI-MDTF) donor funds that help to provide technical assistance and grants to finance countries' efforts to implement the EITI and uses its operational

expertise to assist countries in designing the appropriate framework to reach EITI compliance. In addition, the World Bank leads capacity building efforts with civil society organizations to facilitate their full and meaningful participation in the multi-stakeholder group that oversees EITI implementation in each country and communicate EITI information to citizens.

Over its ten years of implementation, EITI has managed to achieve some remarkable results. Pulling data from country-specific reconciliation reports, revenues for the year 2012 reconciled by EITI amounted to \$309 billion equivalent (compared to the revenues reconciled for the year 2011, of \$359 billion, 2010 of \$215 billion, and 2009 revenues of \$165 billion). In 2011, revenues reconciled represented about 22 percent of total revenues in these countries, which represents 70 percent of total revenues if correcting for extreme cases such as Indonesia and Norway.

EITI is currently implemented in 48 countries, of which 32 are compliant with EITI requirements.

Relationship to CAS/CPS/CPF

The World Bank's overarching strategy for its engagement in Extractives is built on four sets of outcomes which, if achieved, should contribute to attaining the WBG's twin goals of poverty reduction and shared prosperity. These pillars are (i) revenue maximization, transparency and Governance; (ii) leveraging inclusive growth, local content, jobs and infrastructure, (iii) conflict prevention and managing fragility; and (iv) sustainable resources and environmental and social management.

EITI is a global initiative that supports overall World Bank Group goals and is in line with all implementing countries partnership strategies - from the transparency and governance angle, citizen engagement and maximizing revenue for sustainable development. EITI MDTF supports about 30 EITI implementing countries and each of those grants went through regular review process to reference appropriate country level PCSs.

II. Project Development Objective(s)

Proposed Development Objective(s)

Proposed Objective is to facilitate global EITI implementation and compliance by supporting EITI validation process in calendar year 2015 and improving access to information through a public EITI website.

Key Results

(i) Eight countries completing the EITI validation process. Validation is an external, independent evaluation mechanism, undertaken by a Validator procured by the International Secretariat. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the EITI Standard. The Validation report will also address the impact of the EITI, lessons learned in EITI implementation, as well as any concerns stakeholders have expressed, and recommendations for future implementation of the EITI.

(ii) Improved access to EITI data from 48 EITI implementing countries through an upgraded global EITI web-site. While the main use of the disclosed information takes place within each implementing country, the global EITI website will: (1) draw attention to the situation and the disclosed data in each country; (2) make the data available in a consistent format to enable time-series and cross country comparisons; and (3) guide countries implement the EITI Standard on how to improve accessibility of their data.

III. Preliminary Description

Concept Description

The grant will finance validation of eight countries that are due for validation (or re-validation) in calendar year 2015 as well as improve EITI website.

Component 1: Validation. In 2013, Based on the decision of the EITI Board on August 21, 2013 (Board Circular 157) and EITI-MDTF donors agreed that validation would be managed at the international level and funded by the EITI-MDTF. Previously, EITI validation was paid for by the implementing countries. This was found to be sub-optimal, as it often presented a conflict of interest. The procedures were changed as part of the 2013 EITI Standard. There are 8 validations due in 2015 validation: 5 compliant countries (Azerbaijan, Timor Leste, Ghana, Mongolia and Kyrgyzstan) and 2 candidate countries (Solomon Islands and Sao Tome e Principe). In addition, it is likely that some countries (e.g., the Philippines) will request early validation in 2015.

The validation process is managed by International EITI Secretariat, who selects Validators and manages their contracts and payments. Validation work follows a standard terms of reference ToRs to produce standardized reports that are then reviewed considered by the Validation Committee of the EITI Board to make a recommendation to the Board to determine if the country will be declared EITI Compliant

Component 2: Improved access to EITI data through the EITI Website. The World Bank Group and the EITI International Secretariat have undertaken a number of activities to improve the access to and use of EITI data. Currently, most EITI data is “locked” in pdf documents, and often cannot easily be accessed and used to inform public debate. The summary data currently collected by the EITI International Secretariat (and made available at www.eiti.org) is quite general and doesn’t address the scope of disclosures under the revised EITI Standard.

There are several projects underway to address this challenge, including supporting implementing countries to make their EITI data more accessible in-country, and a number of projects aimed at developing EITI data standards that will improve access and comparability of data. Together with the IMF, the EITI International Secretariat has developed a summary data template that provides consistent and detailed information for all reports published in accordance with the EITI Standard.

Improvements to the EITI website will substantially increase the amount on EITI data that is made

available at the global level. While the main use of the disclosed information takes place within each implementing country, the global EITI website play a key role in promoting the work of the EITI at the country level, and in supporting comparative analysis of EITI data.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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:	0.9	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Extractive Industries Transparency Initiative			0.9

VI. Contact point

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