

**Promoting Transparency and Sustainability in Extractive Industries
TC ABSTRACT**

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Promoting Transparency and Sustainability in Extractive Industries
▪ TC Number:	RG-T2496
▪ Team Leader/Members:	Ramon Espinasa (INE/ENE) Team Leader; Malaika Masson (INE/ENE); Marta Gutierrez (INE/ENE); Nancy Jesurun-Clements (INE/ENE); Ji Sung Yang (INE/ENE); Liliana López (INE/ENE); under the supervision of Alejandro Melandri (Division Chief, INE/ENE)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
▪ Reference to Request: (IDB docs #)	38807361
▪ Date of TC Abstract:	May 12 th 2014
▪ Beneficiary:	Countries in Latin America and the Caribbean that are borrowing members of the IDB
▪ Executing Agency and contact name:	Inter-American Development Bank, through the Energy Division (INE/ENE)
▪ IDB Funding Requested:	\$780,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes Execution period):	18 Months
▪ Required start date:	July 2014
▪ Types of consultants:	Individual/Firms
▪ Prepared by Unit:	INE/ENE
▪ Unit of Disbursement Responsibility:	INE/ENE
▪ TC Included in Country Strategy (y/n):	N
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	Regional integration; environmental sustainability; institutional strengthening; climate change

II. Objective and Justification

2.1. The general objective of this Technical Cooperation (TC) is to promote transparency and economic sustainability in the governance of the extractive industries in IDB member countries. The TC will finance the preparation of three specific products: (i) a digital Regional Resource Map; (ii) Extractive Sector Dossiers, and (iii) an Analytical Framework, serving the systematic identification of opportunities and barriers for promoting transparency and sustainability in the governance of the extractive industries in member countries.

- 2.2. The dominance of the extractive sector in LAC economies often coexists with numerous governance gaps, reflecting weak institutions and regulatory frameworks, information asymmetries, and competing stakeholder claims over development impacts. However, relevant synthetic and reliable information about the extractive sector is seldom available to decision-makers and civil society stakeholders in LAC countries: there is limited information about the specific governance gaps hindering state capacity to manage the extractive sector and the most suitable strategies to tackle these problems. There is also a limited knowledge, from the perspective of the Bank, of the expectations of Government, Industry and Civil Society stakeholders in regards to the most suitable mechanisms for supporting member countries seeking to enhance transparency and sustainability of the extractive sector.
- 2.3. This TC will support dialogues with and among relevant stakeholders for consensus building and the generation of updated and reliable information about the extractive sector in LAC needed by countries to enhance governance in the extractive sector (i.e. implementing the Extractive Industries Transparency Initiative, EITI). It will generate an analytical base that stresses the role of targeted transparency and sustainability policies in assisting authorities in their long-term planning and governance of natural endowments, and strengthening institutions and regulatory frameworks for the extractive sector. Further, it will provide critical inputs to the Bank's work in the extractive sector; supporting country programming activities and the formulation of customized packages of support for promoting transparency and sustainability in the extractive sectors in specific member countries.

III. Description of Activities & Outputs and Budget

- 3.1. In order to achieve its objectives, this TC will be organized in the components detailed below:
- 3.2. **Component 1 – Knowledge, Information, and Transparency for Strengthening Governance in Extractive Industries:** This component aims at increasing the stock of knowledge about the characteristics and functioning of the extractive sector in the LAC region. It will provide relevant synthetic and reliable information about the extractive sector for decision-makers (governments and private sector) and civil society stakeholders to identify governance gaps and opportunities for enhancing transparency and operational effectiveness. The preparation of this component implies the accomplishment of the following activities:
- 3.3. **Activity 1.1 – Regional Extractives Map:** The preparation of a regional digital map, including layered information on mining reserves (select metals and industrial and energy minerals, classified per type of ore), extractive projects (classified by type of operation), as well as equivalent information on oil and gas, and information on environmentally sensitive areas (protected areas, watersheds) at a scale to be determined.
- 3.4. **Activity 1.2 – Extractive Sector Dossiers:** Contracting of consultant services to research, identify and describe the settings (e.g. industrial organization, regulatory and institutional frameworks) that affect the functioning of the extractive sector in at least five LAC countries, including Chile, Colombia, Guatemala, Mexico, and Peru. These assessments will be complemented with studies directly supporting the implementation of the EITI standard in the region, providing key inputs for countries exploring candidacy (e.g. Mexico, Colombia, Guyana, Dominican Republic) and seeking to maintain their status (i.e. Peru, Guatemala).
- 3.5. **Component 2 – Supporting the Development of an Analytical Framework for Promoting Transparency and Sustainability in Extractive Industries:** This component will support the development of a preliminary analytical framework for the extractive sector, geared

towards supporting member countries in the execution of high-impact interventions to enhance transparency and optimize operational effectiveness and the capture of value from the extractive sector, while supporting countries to develop and enhance their role as resource owners/administrators, operational regulators (in terms of technical, social and environmental extractive industries' good practices) and revenue stream accountable stakeholders. This component encompasses the following activities:

- 3.6. **Activity 2.1 – Engagement Workshops:** Three external workshops with stakeholders from Government, Industry, and Civil Society, and internal consultation events, to leverage the Bank's capacity to serve as an honest broker and to provide a platform for information sharing and learning among and between key stakeholders around extractives in the region.
- 3.7. **Activity 2.2 – Analytical Framework for the Extractive Sector:** Preparation of a framework document, synthesizing information and recommendations gathered in the context of engagement activities detailed in Component 1 and item 2.1 above. The framework will support the Bank in the identification of key analytical pillars for the sector, financial mechanisms and resources for addressing financial and governance gaps and scaling up investments, and considerations vis-à-vis the IDB potential activities in the extractive sector in LAC.
- 3.8. **Component 3: Knowledge Dissemination.** This component finances the publication and dissemination of the Dossiers and the Regional Map, resulting from Component I, as well as the Analytical Framework prepared in the context of Component 2, for internal and external audiences. In addition, it will support the dissemination of knowledge products prepared by the Bank and relevant to the extractive sector.

IV. Budget

Component/Activity	Description	IDB / Funding	Counterpart Funding	Total Funding
Component I	This component will carry out: (i); Regional Extractives map; (ii) Extractives Dossiers in at least five LAC countries	\$430,000	0	\$430,000
Component II	This component will carry out: (i) Engagement Workshops; (ii) Analytical Framework Development	\$150,000	0	\$150,000
Component III	Publishing and dissemination of materials under Components I and II	\$80,000	0	80,000
Project Management		\$110,000	0	\$110,000
Contingencies		\$10,000	0	\$10,000
Total		\$780,000	0	\$780,000

V. Executing agency and execution structure

- 5.1. This is a Bank-originated technical cooperation, aimed at deepening and broadening knowledge on the extractive sector and defining an analytical framework, which will provide key inputs necessary to fulfill the Bank's commitment to support mitigation and adaptation efforts of borrowing members while meeting their developmental requirements. It is

imperative that knowledge and understanding of the region's extractive sector is fostered at the Bank, including all relevant sectors and divisions which have an institutional role in this agenda. This TC is an opportunity to carry out that task. The Bank will use the knowledge generated through this TC to the benefit of the borrowing member countries.

- 5.2. The execution of this TC will provide a learning, knowledge transfer and data gathering opportunity for Bank staff involved on all aspects of the extractive sector, allowing the Bank to expand its support to borrowing member countries to providing a more complete service platform to more countries in the region and in newer areas such as energy security. Consequently, for these reasons it is critical that this TC be Bank-executed.

VI. Major issues

- 6.1. The main risk behind this technical cooperation is the availability of reliable data and information. The extractive sector is notorious for its lack of publicly available information, including data on reserves, production volumes, and revenue management. The staff is well aware of this concern and efforts have been made to lessen this risk. Cooperation with pertinent regional departments has been established in advance in order to foster the gathering and sharing of relevant information. Further, the executing Division will leverage its existing relationships with data collection agencies, civil society organizations, and relevant private firms to achieve the goals of the TC.
- 6.2. The extractive industries are known to have significant economic and social impacts. This TC is an initial effort to deliver support to governments to increase their institutional capacity to assess and address positive and negative impacts in the extractive industries.

VII. Environmental and Social Classification

- 7.1. There are no envisioned environmental or social risks associated with this operation. We expect a C classification.

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RG-T2496

Matrix of Requests

	RG-T2496			Key partners (external and internal)
Country	Regional extractives map and sector assessments	Engagement workshops and analytical framework	Knowledge Dissemination	
Chile Colombia Perú México Guatemala	Assessments to characterize and analyze resource endowments, extractive activities, and governance gaps; stressing the role of transparency in strengthening institutions and operational effectiveness.		Public dissemination of Country Dossiers and regional resources map for consensus building	External: Ministries of Natural Resources and Environment, Energy and Mines, and specialized agencies (e.g. Geological Survey) <i>Internal:</i> INE/ENE, CCS, RND IFD/CTI, FMM, ICS SCF and IIC
Costs*				
Colombia Dominican Republic Guyana Peru México Guatemala	Targeted support for the adoption of the EITI standard and maintaining status.			External: Local and Global EITI Secretariats; relevant government agencies. <i>Internal:</i> INE/ENE, CCS, RND IFD/CTI, FMM, ICS SCF and IIC

	RG-T2496			Key partners (external and Internal)
Country	Regional extractives map and sector assessments	Engagement workshops and analytical framework	Knowledge Dissemination	
Costs*				
Regional	Regional map to facilitate the illustration and assessment of the economic potential in the region and highlight opportunities to integrate information relevant to the extractives to existing information management platforms supported by the Bank and regional geological services agencies.	Workshops (in Colombia and Peru with participation from stakeholders at the regional level) and analytical strategy to identify and propose required institutional and regulatory strengthening, including the implementation of the EITI.	Targeted distribution of the knowledge products internally and externally with key stakeholders. Support to knowledge dissemination on issues related to governance in the extractive industries in the LAC region, (i.e. revenue management, transparency standards, and sustainability), including research publication and participation/communication in international conferences.	External: Ministries of Natural Resources and Environment, Energy and Mines, and specialized agencies. <i>Internal:</i> INE/ENE, CCS, RND IFD/CTI, FMM, ICS
Costs*				
Sub-total	USD 400,000	USD 400,000	USD 150,000	
Project Management & Contingencies			USD 110,000	
TOTAL				USD 780,000