



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 09/27/2021 | Report No: ESRSC02236



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Ecuador	LATIN AMERICA AND CARIBBEAN	P176221	
Project Name	Implementation of the Extractives Industry Transparency Initiative (EITI) in Ecuador		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Energy & Extractives	Investment Project Financing		3/29/2021
Borrower(s)	Implementing Agency(ies)		
Ministry of Energy and Non-Renewable Natural Resources.	Vice Ministry of Mines		

Proposed Development Objective

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

Financing (in USD Million)	Amount
Total Project Cost	0.60

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project will help to increase its operational capacity of the Technical Secretariat and the Multi-Stakeholder Group (MSG) on implementing EITI operating in Ecuador. The project will increase transparency and accountability in the extractives sector by using government information systems for disclosing data and promoting a better understanding of the extractive industries value chain.



D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Extractive Industries Transparency Initiative (EITI) is a global standard for the good governance of extractive industries, particularly oil, and mineral resources. This micro Recipient-Executed Trust Funded project will support capacity building, transparent data management, improvements in systematic reporting, and training for the staff of the Technical EITI Secretariat and the Multi-Stakeholder Group (MSG) at the national level in Ecuador on the requirements of the EITI standard. The project does not have any particular physical location, and does not involve any physical investments having on-the-ground impacts. There are other EITI development experiences in the region, as Peru, which began disclosing information on revenues and payments in 2007 and is now using the EITI to include the main concerns of communities also. Peru's EITI Report 2015-2016 provided extensive information on social and environmental issues in that country's extractives sector.

A World Bank report about the EITI in Ecuador (July 2019, WB) points out that, in general in the country, participation of civil society organizations is good, but their ability to engage with extractive industry activities and projects is deficient. The document notes that there are no special provisions to the general regulations that link citizen participation processes to the extractives sector, with the exception of the regulation that promotes the engagement of indigenous communities through a prior consultation process for hydrocarbon activities.

The extractives sector has developed in an uneven way in Ecuador. On one hand, the country has produced oil for more than four decades and the oil business serves as the basis of its national economy, with large investments in large-scale operations, of which the state-owned company Petroamazonas now controls approximately 80% (according to the EITI Ecuador Technical Secretariat). On the other hand, mining has consisted of artisanal and small-scale mining activity, mainly in gold, which contributes 1.5% to Ecuador's GDP. In both these cases, oil and mining activities have overlapped with the ancestral territories of several of the 14 indigenous nationalities present in Ecuador, and the struggles of such peoples to have a greater say in the way these activities are conducted have gained international attention. In 2018 the Ministry of Energy and Non-Renewable Natural Resources (MERNRR) estimated that direct investment in mining was US\$ 268 million and that this could increase to US\$ 2,252 million between 2019 and 2021. A challenge for extractives activities is the transparent dissemination of public information.

Some of the weaknesses in the sector overall include: (i) dissemination of information on state-owned companies is broad but uneven; (ii) most of the information gaps on budget management, economic aspects, and environmental and social risks and impacts occur at the local level; (iii) updated information on current mining rights is lacking; (iv) it is difficult to get data about how the state has distributed tax revenues from companies in the sector; and (v) institutional budgets to hire officials who can work to overcome these two previous limitations is lacking.

The EITI standard includes a set of expectations for EITI-supporting companies, as well as provisions on environmental, social and gender impacts. Of the seven requirements included in the EITI, the sixth requirement encourages the disclosure of information related to revenue management and expenditures, helping stakeholders to assess whether the extractives sector is leading to desirable social, economic and environmental impacts and outcomes. The EITI requirements related to revenue allocations include: (6.1) social and environmental expenditures



by extractive companies; (6.2) quasi-fiscal expenditures; (6.3) an overview of the contribution of the extractives sector to the economy; and (6.4) the environmental impact of extractive activities

D. 2. Borrower’s Institutional Capacity

The Implementing Agency is the Ministry of Energy and Non-Renewable Natural Resources of the Republic of Ecuador (MERNNR), through its Vice Ministry of Mines. The Project Implementing Unit (PIU) takes the form of an EITI Ecuador Technical Secretariat housed within that Vice Ministry, which has been designated as the “Champion” of the EITI in Ecuador and is also part of the Multi-Stakeholder Group (MSG). The Technical Secretariat is being led by a dedicated senior staff member selected and appointed by the MSG.

It is important to note that MERNNR is a new institution that was formed in 2018 through the merger of the former Ministries of Hydrocarbons, Mining and Electricity, and Renewable Energy. As such it is still in the process of consolidation and not yet ready for the systematic dissemination of information. One weakness of the new Ministry is that it does not have an integrated information system that would allow easy access to data from the extractives sector. The MSG, once it is up to speed, is itself expected to help facilitate the integration of relevant data flows within MERNNR, and to guide the creation of a framework for the transparent and public sharing of such data.

Given that the EITI is about increased transparency in information sharing and stakeholder engagement in relation to extractives in Ecuador, there are some pending questions regarding the ability of the Vice Ministry of Mines to undertake the kinds of consultative processes and dissemination activities that will increase its capacity to do this on an ongoing basis. As discussed under ESS10 below, such questions will be explored further with the Vice Ministry during the preparation of the project, and the results of this due diligence will be reflected in the Appraisal-stage ESRS.

Public Disclosure

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Low

The environmental risk of this trust funded project is rated Low, as it does not involve any specific physical location, any physical investments having on-the-ground impacts, any impact on natural habitats or biodiversity, or any direct generation of GHG or pollution. Potential risks are minimal.

Social Risk Rating

Moderate

The social risk rating is Moderate, particularly due to the lack of involvement/participation of key stakeholders in the MSG, including indigenous peoples, communities affected by extractive projects, local authorities, and artisanal miners. Access to EITI Reports and other engagement attempts could be also affected by a digital divide, especially for indigenous peoples and other rural populations without internet access. Otherwise, due to its nature, this operation is not expected to have an adverse impact on livelihoods, nor will it limit community-level access to natural resources or require the acquisition of land leading to physical and/or economic displacement. On the contrary, it will develop a framework for sharing and communicating information in a systematic way; preparing Ecuador’s first EITI report; and training the staff of the Technical EITI Secretariat and the members of the Multi-Stakeholder Group. The potential risks of these activities, in and of themselves, are both minimal and manageable.



Given that the objective of the grant is to increase transparency and accountability in the extractives sector of the country, it is expected to translate into positive effects for stakeholders in civil society, including vulnerable and marginalized groups such as indigenous peoples (IP), Montubios and Afro-Ecuadorians, which could in turn establish positive new patterns for their engagement in oil and mining projects, facilitate informed consultation processes, and lower the risks of complaints or social conflicts in connection with such projects.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This micro Recipient-Executed Trust Funded project involves capacity building and training activities for the staff of the Technical EITI Secretariat and the Multi-Stakeholder Group. It will also support the collection and transparent management of extractives industries data, and the establishment of a framework for systematic reporting in line with international EITI requirements. The primary social risk is exclusion and how to ensure key stakeholders such as indigenous peoples, communities affected by extractive projects, local authorities, or artisanal miners are included in the MSG and that their active participation is promoted. For its objective of disseminating public data about extractive industries, the project should take into account the participation gaps with key stakeholders and the communication gaps (digital, cultural), with less-connected populations of the country, especially the rural and indigenous populations in whose territories future extractive projects could be developed. Among those groups most vulnerable to exclusion from benefits under the project, Afro-Ecuadorians, Montubios and indigenous peoples must certainly be considered.

The EITI Ecuador Technical Secretariat, as the Project Implementing Unit (PIU), shall be responsible for ensuring that work plans, terms of reference for engaging consultants, and other documents defining the scope and deliverables of capacity building and training activities are written in such way that the advice and other support provided are consistent with the applicable requirements of the ESSs 1-10. As will be specified in the ESCP, the project capacity building program will include environmental and social dimensions consistent with the provisions of the ESSs, as applicable, as well as with the EITI standard and national norms.

Areas where “Use of Borrower Framework” is being considered:

N/A

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant. The participation of key stakeholders around the mining sector is precisely part of the activities of the Project. In June 2020 the Vice Ministry of Mines promoted the first meeting to form the Multi-Stakeholder Group (MSG) for the EITI initiative. This meeting had the participation of government entities, extractive industries, and civil society organizations. Afterward, in August 2020, the MSG approved (i) a workplan and (ii) MSG operating regulations according to EITI’s standards, including rules about transparency and information accountability. The information available on Ecuador’s EITI website shows the following composition of the MSG:



Government entities:

- Vice presidency
- Ministry of Energy and Non-Renewable Resources
- Ministry of Economy and Finance
- Ministry of Telecommunications and the Information Society

Extractives industries:

- Ecuador Mining Chamber
- Lundin Gold
- Repsol
- Petroamazonas EP

Civil Society:

- Fundación Ciudadanía y Desarrollo
- Corporación Participación Ciudadana
- Grupo Faro

Considering that the very design of the project centers on the promotion of interactions among interested stakeholders and the MSG is working under the requirements of EITI to ensure broad-based participation, it is not necessary to elaborate a stand-alone SEP. Rather, project-based measures having to do with stakeholder outreach and participation will be specified in the ESCP and will include provisions to ensure that vulnerable groups identified in the stakeholder mapping are included in the stakeholder engagement process. To strengthen the process of stakeholder engagement in the project, it is necessary to include key stakeholders such as indigenous peoples, communities affected by extractive projects, local authorities or artisanal miners. Considering that in Ecuador most of the population living in areas of interest to oil and mining developers is indigenous, it is very important for the legitimacy of MSG's work to have representative organizations of IP included in the MSG. This will be discussed and further developed with the Technical EITI Secretariat during the preparation of the project.

Dissemination of EITI Reports will take into account digital and cultural gaps with excluded sectors of the indigenous rural population located in potential extractive project areas, so that they have access to information in a socio-culturally appropriate manner. Therefore, the ESCP, under ESS10, will also incorporate actions and measures for improving the dialogue between IP organizations and the current members of the MSG. Finally, one or more project-specific Grievance Redress Mechanisms will be established for the project in the Technical EITI Secretariat, and referenced in the ESCP. Other key aspects identified in the due diligence will be added to the ESCP prepared prior to grant approval and included in the Approval package.

A draft Environmental and Social Commitment Plan (ESCP) will be prepared and disclosed by the Recipient before to Appraisal and finalized during Negotiations. This ESCP will contain the following activities related to ESS10:

- Details and timeframes for the implementation of the stakeholder engagement processes, taking into consideration the possible digital divide and language/communication constraints of some stakeholders; and.
- Measures for the implementation of the GRM with a description of its operation and accessibility to stakeholders.



B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. The standard recognizes the importance of guaranteeing fair labor practices and providing healthy working conditions. The MERNNR and its Vice Ministry of Mines will compile and implement Labor Management Procedures (LMP) to identify the main labor issues, including sexual exploitation and abuse and sexual harassment (SEA/SH), as well as occupational health and safety (OHS) issues. Project workers will include both direct workers (PIU workers hired specifically for the design and implementation of the project) and contracted workers. In preparing the LMP, the PIU will specify the Grievance Redress Mechanism (GRM) or Mechanisms in place specifically for project workers. The LMP will describe the working conditions and management of worker relationships, the conditions of employment and provisions for non-discrimination and equal opportunity, worker's organizations and freedom of association, and OHS measures for workers. The LMP will be a stand-alone document with details of worker GRM and a Code of Conduct that outlines obligations for all workers involved in the project. The LMP will include a survivor centric approach on SEA/SH issues and OHS considerations. The draft LMP will be available prior to Bank approval of the grant, with the final version of the document to be ready prior to grant effectiveness.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is not relevant. No direct, indirect, or cumulative impacts on resource efficiency have been identified since the project does not involve any physical interventions. However, the project activities focused on environmental and social capacity building should be informed by this standard as may be relevant in the development of training materials.

ESS4 Community Health and Safety

This standard is not relevant. There will be no direct or indirect impacts on community health and safety since the project does not involve any physical interventions. However, the project activities focused on environmental and social capacity building should be informed by the standard as may be relevant in the development of workshops and training.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The standard is not relevant, given there are no physical investments that require the taking of land leading to physical and/or economic displacement. None of the activities of the project will cause restrictions of access to land or natural resources, and the purchase of land and/or land-based assets is not being contemplated.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant. No direct, indirect or cumulative impacts on biodiversity are expected since the project does not involve any physical interventions. However, project activities focused on capacity building should consider this standard as may be relevant in the development of workshops and training.



ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is relevant. Although the project does not involve any physical intervention in specific areas or territories, it is important to note that it aims to promote the EITI standard that provides a framework for governments and companies to develop and comply with a commitment to disseminate information along the extractive industry value chain. Ecuador's National Mining Development Plan (2016) indicates that mining projects will be developed in the provinces of Zamora Chinchipe, Loja, El Oro, Morona Santiago and Azuay, among others, overlapping with indigenous territories. In this sense, indigenous peoples should be considered not only as potential project beneficiaries but also, according to information in the National Mining Development Plan, as potentially affected parties in the future.

According to the information available on EITI development in Ecuador, there are no indigenous organizations involved in the current composition of the MSG. The EITI project team reported that IPs were invited to participate in the MSG, but they declined the invitation due to political disagreements and rejection of extractive activity. The participation of IPs in the MSG is a big challenge for the EITI process in Ecuador.

It is important to mention that the World Bank conducted a Feasibility Study in 2019 to Inform Ecuador's Accession Decision to the Extractive Industries Transparency Standard (EITI). One issue in this study was about the perception of stakeholders about the importance of IPs participation in the MSG. A report by Daitch and Field (2016) about IPs participation in EITI's Multi-Stakeholders Group (Preliminary Inquiry into Indigenous Peoples' Participation in EITI Multi-Stakeholder Groups: What are the Present Experiences, Potential Benefits, and Challenges? Consensus Building Institute, 2016) identified that IPs participation in the MSG has great potential, but needs extensive engagement and work for that input to be fulfilled. In each of the case studies examined in different countries, both information about the EITI process and the data in the reports themselves do not reach enough indigenous communities. The Daitch and Field's report concludes that it is difficult for IPs to participate in the potential benefits derived from transparency and accountability without first overcoming barriers that prevent them from engaging with both the typical members of the EITI MSG and the information generated by their processes.

The Appraisal ESRS will include specific measures to promote the inclusion of representative IP organizations in the MSG, with emphasis on IPs groups in areas of extractive activities. The ESCP will include activities to include IPs in the MSG and for communication will take into consideration: (i) any language or communication challenges that may limit full participation by IPs; (ii) traditional IP decision-making mechanisms; and (iii) traditional dispute resolution mechanisms.

ESS8 Cultural Heritage

This standard is not relevant. No direct, indirect or cumulative impacts on physical cultural heritage are expected since the project does not involve any physical interventions. However, project activities focused on capacity building should consider this standard as may be relevant in the development of workshops and training. Subsequent due diligence will explore potential impacts on physical cultural heritage and include measures for prevention and/or mitigation. Corresponding provisions will be included in the ESCP.

ESS9 Financial Intermediaries

This standard is not relevant as the project does not involve financial intermediaries.



C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

N/A

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

The following instruments will be developed and disclosed prior to approval of the grant:

- Environmental and Social Commitment Plan
- Labor Management Procedures draft version will be disclosed prior to grant approval and final version prior to project effectiveness.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

Project activities focused on environmental and social capacity building should consider the principles and requirements of the ESF standards that are deemed currently not relevant in the development of workshops and training. This will be mentioned in the ESCP. Measures to promote greater inclusion of IPs in the Multi-Stakeholder Group and EITI-driven dissemination and outreach efforts more broadly will be also included in the ESCP.

The ESCP will contain the following measures:

- Details and timeframes for the implementation of the stakeholder engagement processes, taking into consideration the possible digital divide and language/communication constraints of some stakeholders.
- Any relevant measures for operationalization of the GRM.
- Details and timeframes for the development of the standalone LMP with worker GRM. This should include information on codes of conduct, a survivor centric approach on SEA/SH issues and OHS considerations.
- If needed, any additional measures to ensure adequate representation of key stakeholders in the MSG.
- Specific actions to ensure an adequate organizational structure is in place to manage the E&S risks associated with the project. This should include any relevant training/capacity building activities on E&S aspects of the project, as well as monitoring and reporting procedures.

The Recipient, with the support of WB E&S staff, will review the relevance of the requirements of these standards during the due diligence, and also as part of the preparation of documents relating to the contracting of consultants during project execution.



Under ESS10, a stand-alone Stakeholder Engagement Plan will not be required. Actions and measures for adequate community engagement with populations potentially interested in extractive activities, such as indigenous peoples, will be included as commitments in the ESCP, as will the need to establish one or more project-specific GRMs. Under ESS2, the LMP will be a stand-alone document. During project preparation, the MERNNR and its Vice Ministry of Mines will compile and implement Labor Management Procedures (LMP) to identify the main labor issues, including sexual exploitation and abuse and sexual harassment (SEA/SH), as well as occupational health and safety (OHS) issues. Project workers will include both direct workers (PIU workers hired specifically for the design and implementation of the project) and contracted workers.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

24-Sep-2021

IV. CONTACT POINTS

World Bank

Contact:	Javier Aguilar	Title:	Senior Mining Specialist
Telephone No:	+1-202-473-0020	Email:	jaguilar@worldbank.org

Borrower/Client/Recipient

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

Implementing Agency(ies)

Implementing Agency: Vice Ministry of Mines

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s): Javier Aguilar

Practice Manager (ENR/Social) Maria Gonzalez de Asis Recommended on 18-Aug-2021 at 17:06:41 GMT-04:00

Public Disclosure