

## **Assessment of World Bank Group's Revenue Transparency Implementation in the Extractive Industries**

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### **INTRODUCTION**

The following document is an assessment of how the World Bank and International Finance Corporation (IFC) (collectively World Bank Group - WBG) are implementing revenue transparency in their operations involving the extractive industries (oil, gas, and mining - EI). For the purposes of this assessment, revenue transparency refers specifically to the public disclosure of all government revenues stemming from extractive industry operations. The assessment has two principle objectives: 1) to determine how many recent World Bank and IFC EI projects include revenue transparency measures and, when present, the concreteness of those measures; and 2) to determine how comprehensive and consistent the Bank and IFC are applying EI revenue transparency, both across countries and across types of EI activities.

The assessment addresses these two objectives by way of two main components. Component 1 reviews all World Bank and IFC extractive industry-related project and program loans that were approved or proposed from July 1, 2005 to December 31, 2006 (i.e., FY06 and CY06). During this time period, there were 38 EI-related loans – 14 World Bank, 23 IFC, and 1 MIGA (guarantee). Component 2 examines the World Bank's lending and non-lending assistance since 2004<sup>ii</sup>, and current WBG country strategies<sup>iii</sup> for all Extractive Industry Transparency Initiative (EITI) countries (23)<sup>iv</sup>, for all non-EITI resource-rich countries (7) where the Bank is active, and for an additional 11 countries considered to have substantial resources, for a total of 41 countries.<sup>v</sup> For WBG country strategies, it is important to consider how the strategy is making revenue transparency a priority for countries. For example, do the strategies for countries with substantial resources simply mention the importance of revenue transparency or does the WBG make a lending commitment and designate EI revenue transparency as a program performance indicator?

Detailed project-by-project and country-by-country assessment results are provided in Annexes 1 and 2 and summaries are provided in Tables 1 and 2 below. Lastly, it deserves to be noted that World Bank Group staff in the Oil, Gas, and Mining Department provided comments on two draft versions of the assessment. The author tried to incorporate these comments as much as possible. In several cases, direct World Bank/IFC responses are provided in the text or as an end note.

### **KEY ASSESSMENT FINDINGS**

Although the World Bank is very active in promoting EITI in many countries and the IFC now requires revenue transparency for EI projects, the World Bank Group has not implemented a comprehensive, consistent program to ensure revenue transparency in all its EI activities. Given the Bank Group's large-

scale involvement and influence in EI development, it is missing important opportunities to promote genuine transparency in the EI sector.<sup>vi</sup>

**Application is inconsistent across countries and EI operations** - The World Bank's application of revenue transparency is inconsistent across resource-rich countries and significantly lacking in countries with substantial-resources, including countries where the WBG has recent EI activity<sup>vii</sup>. In addition, the World Bank and IFC are often not incorporating revenue transparency through their support for the development of EI-related infrastructure, institutions, investment processes, or policies.

**Lacking lending operations & performance indicators** – In resource-rich and substantial-resource countries, the Bank has only a handful of EI lending operations that address revenue transparency. Moreover, since 2004, the Bank did not include revenue transparency in 12 lending operations related to the extractive industries in these countries. Most assistance is in the form of grants for trainings and workshops. Just the same, in only a handful of WBG country strategies is EI revenue transparency a lending priority or designated as a Bank program performance indicator. In several resource-rich/substantial-resource countries, revenue transparency is not even discussed as a topic in the country strategy.

**Approach does not provide for meaningful transparency of revenues** – Both World Bank and IFC assistance often involve vague commitments that lack specific implementation measures and reporting requirements. In addition, the World Bank's principal approach to revenue transparency is the voluntary EITI initiative, which thus far involves disclosure of mainly *aggregated* company payments to governments. Although EITI is a commendable initiative, it does not guarantee, company- or project-level disclosure and does not address the disclosure of investment contracts. Transparency at both the project-level and of contracts are considered critical to carrying out any sort of meaningful tracking of revenue flows in the extractive industries – especially if the monitoring is to be meaningful to local communities, combating corruption, and ultimately to poverty reduction.

Given the WBG's substantial involvement in policy reforms (including tax policies, i.e., government revenue), institutional reforms, and project lending to attract foreign investment in the extractive industries of developing countries, the World Bank Group needs to take a stronger approach to EI revenue transparency. Concrete measures to improve revenue and contract transparency must always be a part of any WBG involvement in developing the extractive industries in any given country.

## **IFC Projects**

The WBG, including IFC, endorsed EITI<sup>viii</sup> in June 2003. Following this endorsement, the IFC's Policy on Social and Environmental Sustainability (2006) requires that “from January 1, 2007, clients of all IFC-financed extractive industry projects publicly disclose their material payments from those projects to the host government(s).”<sup>ix</sup> Although the revenue disclosure requirement did not start until January 2007, since October 2004 the IFC has asked all EI investments to voluntarily commit. Such transparency commitments are to be reflected in the IFC's Summary of Proposed Investment (SPI). This assessment looked at 23 IFC EI projects over the period of July 1, 2005 to December 31, 2006. Out of the 23 projects, 16 projects had revenue transparency commitments, 6 projects were found not to voluntarily commit or commitment was unclear, and for 1 project documents were not available (see Table 1 and Annex 1). Review of the voluntary disclosure commitments revealed several concerns regarding how the IFC has thus far approached revenue disclosure by projects and what this might imply for how the IFC will implement its disclosure requirement going forward.

**Unclear Reporting Requirements** – Project documents most often do not specify the following important information: the specific types of revenue that will be reported, how often revenues will be reported, the duration (e.g. for the life of the project), the reporting format, or the location of disclosure. Each one of these items is important to ensuring a transparent system for the reporting of revenues in which the public/civil society can monitor and understand.

**Unclear Project-level Reporting Commitments** – Out of the 16 projects with revenue transparency commitments, 6 projects did not have clear commitments to project-level disclosure. Some projects commit to reporting in annual reports or through the EITI process (see Annex 1 – South Africa, Ghana, Egypt, Columbia, and Venezuela). It is unclear whether a company’s annual report provides project-level payments or simply company aggregated payments. A company’s participation in the EITI process does not require project- or even company-specific revenue disclosure. As stated above, the IFC’s Policy on Social and Environmental Sustainability is a requirement of revenue disclosure at the project-level, which is especially important for local communities. The IFC states<sup>x</sup> that in the case of corporate-based loans, which are more general and cover several EI operations of a company in a given country, disclosure of the annual report is the appropriate requirement. Further the IFC states that taxes may be based on aggregated corporate results that include a number of projects and activities. However, the point still remains that these companies keep track of individual project revenues – if not at the annual report level at the local operation level – from which the company can estimate project-level tax payments etc. and these project-level revenues should be required to be publicly disclosed.

**Unclear Transparency for Projects Involving Exploration Activities** – Projects that involve oil, gas, and gold exploration activities do not have clear revenue transparency requirements (see Annex 1 - Egypt, Russia, and Yemen & Vietnam). This is especially a concern in countries where the World Bank is not assisting on revenue transparency at the government level (e.g. Russia). The IFC’s position is that exploration activities do not result in significant revenue streams. However, exploration often results in production and, thus, any assistance for the development of the extractive sector should be directly tied to improving revenue transparency. IFC investments supporting exploration should include a clause requiring disclosure of revenue resulting from all future production linked to the supported exploration activities.<sup>xi</sup> [Please note, the IFC states that for the projects in Egypt and Yemen/Vietnam, the sponsors have agreed to disclose revenues once the project starts production. However, this is not stated in the disclosed project documents.]

## **World Bank Assistance**

The WBG endorsed EITI in June 2003. Following this endorsement, the Management Response to the Extractive Industries Review<sup>xii</sup> (September 2004) committed the World Bank to requiring revenue transparency as a condition for all new World Bank Group EI investments<sup>xiii</sup> and to strongly support EITI and the objectives of the Publish What You Pay campaign.<sup>xiv</sup> In several countries, the World Bank has played an important role through policy dialogue and technical assistance in getting countries to endorse EITI and in building capacity for expected EITI implementation.<sup>xv</sup> The World Bank has grants or a lending operation in at least **22** countries involving revenue transparency. However, an examination of Bank assistance and lending priorities across resource-rich countries and countries where they are involved in the EI sector reveals several concerns and gaps to their approach.

**Inconsistent Application across Countries** - The World Bank’s emphasis on and assistance for revenue transparency is inconsistent across countries, including across EITI countries, non-EITI/resource-rich countries, and countries where the WBG is active in the extractive industries (see Table 1 & 2 below and Annexes 1 & 2). World Bank involvement on transparency is especially lacking in countries with

substantial resources, which is a significant concern given in FY06 34% of WBG lending operations to the extractive industries (by value) went to these countries (overall, 90% went to non-resource-rich countries; see Annexes 1 & 2). Unlike the IFC, the World Bank does not have an official operational policy, bank procedure, or a best practice note that sets out its approach to revenue transparency in the extractive industries. This partially explains why the application is very inconsistent.

**Missed Opportunities in Resource-Rich Countries** - In some cases, it may be that the Bank simply has not had an opportunity, such as the leverage that comes with a lending operation, to improve revenue transparency or engage the country in EITI. However, the assessment found that in **12** resource-rich/substantial-resource countries the World Bank had a recent (since 2004) EI-directly related or -relevant lending operation where revenue transparency was not included (please see column b. in Table 2 below). For example, the development policy loans involving the mining sectors of Mali and Mongolia have no revenue transparency measures or progress indicators. In addition, for non-resource-rich countries, there were **3** EI-related lending operations that did not mention revenue transparency for FY06/2006 calendar year (see Annex 1, Morocco, Turkey, and Serbia/Montenegro).

**Lacking Lending Operations and Performance Indicators** – In resource-rich and substantial-resource countries, the Bank has only a handful of lending operations involving revenue transparency (see Table 1 below, column b.). When the Bank provides assistance on transparency, it often does not involve distinct measures to improve revenue transparency. The Bank’s revenue transparency assistance thus far has come mainly in the form of soft assistance, i.e. grants from the EITI Multi-donor Trust Fund, for soft activities such as workshops and trainings. Out of 41 resource-rich/substantial-resource countries, there are only 9 Bank lending operations that mention revenue transparency and of those only 6 lending operations that are somewhat clear on particular revenue transparency measures (see also 12 missed opportunities above). The Bank’s Natural Resources Management loan in Gabon provides one of the few examples of specified Bank assistance on concrete EITI implementation measures (see Annex 1). The low frequency of Bank lending operations and lack of specified measures is a significant concern. For one, EITI implementation has been slow. Only two out of 23 EITI-countries as of November 2006 had published an audited EITI report. This has led some to believe that some countries may be hiding behind EITI “endorsement” without actually improving transparency in concrete terms. Having clear transparency commitments and measures as part of Bank lending operations could potentially put more weight behind actual implementation.

Furthermore, the Bank only occasionally makes EI revenue transparency a lending priority in its country strategies<sup>xvi</sup> (CAS, CPS, IAS, etc.) - as measured by the identification in the strategy of specific lending operations or intended Bank assistance for revenue transparency (see Table 2 below, column e.). Likewise, and perhaps most important, the Bank only lists implementation of revenue transparency measures as a Bank program performance indicator in a handful of countries (6 resource-rich/substantial-resource country strategies and 1 policy program loan (see Table 2 below, column f.). Moreover, revenue transparency is not mentioned at all in the strategies for 16 resource-rich/substantial-resource countries, including: Algeria, Ghana, Indonesia, Mongolia, Russia, Togo, and Ukraine. It should be noted that of these 16 countries, 7 countries have expired country strategies that were written shortly before the Bank endorsed EITI (June 2003). The point on these countries is that the WBG is active in the EI sectors of these countries and therefore they should have current strategies that guide the Bank’s work on revenue transparency among other governance issues.<sup>xvii</sup> These countries are noted in the summary Table 2.

**Mainly promoting EITI** – There is no doubt that the World Bank has been a very active supporter of the EITI. In fact, EITI is the Bank’s main approach to revenue transparency. However, although EITI is a commendable initiative, the voluntary approach of EITI is very limited. For one, it involves mainly disclosure of *aggregated* company payments to governments. Local groups working on revenue transparency issues insist that company- and project-level disclosure and the disclosure of investment

contracts are critical to carrying out any sort of meaningful tracking of revenue flows from extractive industries – especially if the monitoring is to be meaningful to local communities, combating corruption, and ultimately poverty reduction.

It may be understandable for the Bank at times to take a softer approach, such as in countries where the Bank does not have any leverage (e.g. no lending operations). In these countries, they may need to rely on the diplomatic encouragement of donor countries and EITI may be the best way to get the process started. However, in countries where the WBG has active lending operations and especially where they are directly involved in the extractive sectors – they must take the responsibility to require company/project-level revenue and contract transparency.

**No transparency for projects involving infrastructure** – The World Bank is not requiring revenue transparency for projects involving EI infrastructure, such as the West Africa Gas Pipeline. In another case, a gas market development project in Indonesia (\$80 million) revenue transparency is not addressed in project documents nor is it discussed in the Bank’s country strategy for Indonesia. This is a surprising oversight, given that governance and transparency in general are stated as significant concerns, and Indonesia falls under the Bank’s definition of a country with substantial resources. Moreover, the World Bank assistance was instrumental in Indonesia’s new Gas Law of 2002 and in setting up the Production Sharing Agreement contract model. In addition, in September 2006, an IFC gas distribution project in Indonesia was approved for PGN Investments for \$50 million. Out of all this World Bank Group involvement in the gas sector of Indonesia, there are no commitments or assistance related to revenue transparency. The World Bank response to this concern is that project conditionality is a highly selective process that reflects the most important issues relevant to a particular project or country. To include infrastructure and household gas distribution in the assessment is to expand revenue transparency to projects where revenue transparency simply is not the crucial issue. The point still stands that in countries where revenue transparency is an important issue (such is the case for Ghana/Benin/Togo and Indonesia), the WB should use every opportunity to promote transparency in the development of the EI sector at the State-level.

## **Concluding Remarks**

For decades and continuing in the present, the WBG has had significant influence on the overall development of EI in developing and emerging market countries through the volume of lending for EI investments and development policy lending and through advisory services. Thus, their approach to revenue transparency must match the influence they have had in the sector and must go beyond EITI. To begin, the WBG should be consistent on its approach to transparency. For example, the World Bank should match the IFC by promoting revenue transparency at the project- or at least company-level across the sector. This helps resolve problems for the IFC on issues such as a level-playing field for all companies and the current spotty approach to transparency (i.e. project-by-project).

**Table 1. Revenue Transparency Measures in World Bank and IFC Extractive Projects**  
Approved & Proposed July 2005 – December 2006

Table 1 indicates whether or not a commitment to revenue transparency is part of recent extractive industry (oil, gas, and mining) related projects of the World Bank, IFC, and MIGA for July 1, 2005 to December 31, 2006. Information in the table is based on a review of publicly available World Bank and IFC project documents – mainly the World Bank’s project information document (PID) and loan agreement, and the IFC’s summary of proposed investment (SPI). For more details, please see Annex 1.

	<b>1. Revenue Transparency Commitment</b>	<b>2. No Commitment or Public Disclosure is Unclear</b>
<b>World Bank</b>	<b>4</b>	<b>9</b>
<b>IFC</b>	<b>16</b> <b>(6 unclear project-level disclosure)</b>	<b>6*</b>
<b>MIGA</b>	<b>1</b>	<b>0</b>
<b>WBG Total</b>	<b>21</b>	<b>15</b>

Note: WBG documents were unavailable for four projects/programs, so the total comes to 34 instead of 38.

\* For four IFC projects (Guyana Gold, Asia Lion Fund, Tantalum-Egypt, & Toreador-Turkey/Romania) revenue disclosure is not officially declared in the PSI, but the IFC states that the investors have committed to future disclosure. For the other two IFC projects: 1. Ghana-Ahafo- the countries involvement in EITI does not meet project-level disclosure, and 2. Alliance Oil-Russia – geological exploration could be a part of this project.

## World Bank Group Extractive Industries Revenue Transparency Implementation

Table 2 summarizes the findings contained in Annexes 1 and 2 for EITI countries (23), non-EITI resource-rich countries (7), and for a selection of 11 countries with substantial resources. An underlined country indicates that the WB or IFC approved or proposed new involvement in the extractive industries of this country since July 2005 to December 2006. Information in the table, as well as in the Annexes, is based on review of available World Bank and IFC project and program documents, WBG country assistance strategies (see Table Notes for column e), and the EITI website<sup>xviii</sup>. For an explanation of columns a – g, please see Table Notes below. For details on how an individual country was assessed, i.e. explanation of how a “yes”, “no”, or “unclear” was determined, please see Annexes 1 and 2.

**Table 2. Summary Results for Resource-Rich and Substantial-Resource Countries**

<b>EITI Countries<sup>xix</sup></b>						
Country	World Bank Assistance		2006 IFC EI Project(s)	Addressed by Country Strategy		
	a. Non-lending (grants)	b. Transparency in EI lending		c. Transparency in EI lending	d. Discussed	e. Assistance priority/intentions
<b>Angola</b>	YES	NA	NA	YES	YES	No
<b>Azerbaijan</b>	YES	YES	NA	YES	YES	YES
<b>Bolivia*</b>	No	NA	NA	YES	No	No
<b>Cameroon</b>	YES	NA	NA	YES	YES	YES
<b>Chad*</b>	No	YES	NA	YES	YES [1]	YES [1] (limited)
<b>Congo (Rep. of)</b>	YES	YES	NA	YES	Unclear	YES [2] (limited)
<b>DR Congo</b>	YES	NA	NA	YES	No	No
<b>Equatorial Guinea*</b>	YES	NA	NA	No [3]	No [3]	No [3]
<b>Gabon</b>	YES	YES	NA	Not disclosed	Not disclosed	YES [4] (policy loan)
<b>Ghana</b>	YES	No	NA	No	No	No
<b>Guinea</b>	YES	NA	YES	No	No	No
<b>Kazakhstan</b>	YES	NA	NA	YES	YES	No
<b>Kyrgyz Republic</b>	YES	No	NA	YES	Unclear	No
<b>Mali</b>	YES	No	NA	No [5]	No [5]	No [5]
<b>Mauritania</b>	YES	No	NA	YES	Forthcoming	Forthcoming
<b>Mongolia</b>	YES	No	NA	No	No	No
<b>Niger</b>	YES	NA	NA	No [5]	No [5]	No [5]
<b>Nigeria</b>	YES	YES	NA	YES	No	YES
<b>Peru</b>	YES	No	YES	YES	No	No
<b>Sao Tome and Principe</b>	YES	Unclear	NA	YES	No	Unclear
<b>Sierra Leone</b>	YES	Unclear	NA	YES	No	No
<b>Timor Leste</b>	No	No	NA	YES	No	No
<b>Trinidad &amp; Tobago*</b>	No	NA	NA	No [6]	No [6]	No [6]

<b>Resource-Rich Countries (non-EITI)</b>						
Country	World Bank Assistance		2006 IFC EI project(s)	Addressed by Country Strategy		
	a. Non-lending (grants)	b. Transparency in EI lending		d. Discussed	e. Assistance priority/intentions	f. Performance indicator / benchmark
<b>Algeria</b>	No	NA	NA	No	No	No
<b>Botswana [2]</b>	No	NA	NA [3]	No strategy	No strategy	No strategy
<b>Iran</b>	No	NA	NA	No strategy	No strategy	No strategy
<b>Iraq</b>	<b>YES</b>	No	NA	<b>YES</b>	<b>YES</b>	No
<b>Turkmenistan</b>	NA	NA	NA	No strategy	No strategy	No strategy
<b>Venezuela</b>	No	NA	<b>YES</b>	No strategy	No strategy	No strategy
<b>Yemen</b>	No	NA	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>
<b>Countries with Substantial Resources (non-EITI)</b>						
<b>Chile</b>	No	NA	<b>YES</b>	No [5]	No [5]	No [5]
<b>Columbia</b>	No	NA	Unclear	No [5]	No [5]	No [5]
<b>Egypt</b>	No	Unclear	<b>YES</b>	No	No	No
<b>Guyana</b>	No	No	Unclear	No [5]	No [5]	No [5]
<b>Indonesia</b>	No	No	No	No	No	No
<b>Russia</b>	No	NA	<b>YES/No</b>	No	No	No
<b>South Africa</b>	No	NA	<b>YES</b>	No strategy	No strategy	No strategy
<b>Tanzania</b>	No	<b>YES</b>	NA	No strategy	No strategy	No strategy
<b>Togo</b>	No	No	NA	No	No	No
<b>Ukraine</b>	No	No	NA	No	No	No
<b>Uzbekistan</b>	No	NA	NA	Not disclosed	Not disclosed	Not disclosed
<b>TOTALS</b>						
<b>YES</b>	20	6	7	17	7	7 [1]
<b>Unclear</b>	0	3	2	0	2	1
<b>No</b>	21	<b>12</b>	2	16	23	25

\* Endorsed but not currently implementing EITI.

An underlined country indicates that the WB or IFC commenced new involvement in the extractive industries of this country during July 2005 to December 2006 (See Annex 1 for individual project details).

### **Table Notes**

**Column a.** indicates if there is World Bank non-lending (e.g., Trust Fund grant, dialogue, etc.) assistance for EI revenue transparency in the specified country.

**Column b.** provides an indication of whether or not the Bank had a lending opportunity since 2004 in a given country that could have incorporated EI revenue transparency measures. A “YES” indicates the Bank had a relevant EI lending operation and included revenue transparency. A “No” indicates there was an EI-relevant lending operation that did not include revenue transparency. Lending operations considered were either directly related to EI or believed to be relevant, such as a development policy loan on governance in a resource-rich country. An “NA” means there were no EI relevant lending operations since 2004 (note: the WB endorsed EITI in June 2003).



**Column c.** tracks revenue transparency commitments in IFC EI projects for FY06 and CY06 i.e., July 1, 2005 to December 31, 2006. An “NA” indicates there were no IFC EI lending operations during this period.

**Column d.** indicates if the WBG’s assistance strategy for the country discusses revenue transparency. Country strategies reviewed include: Country Assistance Strategies, Country Partnership Strategies, Interim Strategies, Interim Strategy Notes, Transitional Support Strategies, and Regional Integration Assistance Strategies. Please note, some countries have expired country strategies that were written shortly before the Bank endorsed EITI (June 2003). However, the WBG is active in the EI sectors of these countries and therefore they should have current strategies that guide the Bank’s work on revenue transparency among other governance issues. These 7 countries are noted in the table.

**Column e.** indicates whether or not the Bank has identified any specific lending operations or intended Bank assistance for revenue transparency in the country strategy.

**Column f.** indicates whether or not the Bank’s country strategy has designated the completion of revenue transparency implementation measures as a program/development performance indicator. Program performance indicators are used by the Bank to determine and trigger future lending amounts and priorities.

[1] In the case of Chad, it is important to note that revenue transparency measures are only for the Chad-Cameroon pipeline and selected oil fields and do not apply to the whole sector in Chad.

[2] The performance indicator is limited to the publication of annual audit of accounts of Rep. of Congo’s national oil company.

[3] Equatorial Guinea has a Regional Integration Strategy for Central Africa that covers July 2003 to June 2008. Although this may have been written before the Bank endorsed EITI in 2003, given it covers through 2008 and covers several resource-rich countries, an update note could have been issued to highlight the importance of revenue transparency and provide a Bank strategy for implementation assistance (see Annex 2).

[4] Gabon’s development policy loan (DPL1) includes program performance indicators on revenue transparency.

[5] These countries have assistance strategies that cover 2003-2005/06. Although, these were likely written before the Bank’s endorsement of EITI, given the Bank is involved in the extractive industries of these resource-rich countries, there should be a current CAS addressing the importance and Bank lending priority for revenue transparency. Please see Annex 2 for details on individual countries.

[6] Trinidad & Tobago has a 10-year CAS that covers 1999 to 2009. Under the heading “Increasing economic rents for oil and gas”, the CAS suggests Bank support for revising tax and incentive regimes and production sharing arrangements. Although developed before the 2003 EITI endorsement, an update should have been issued to this 10-year plan to highlight the importance of revenue transparency and to provide a Bank strategy for implementation assistance (see Annex 2).

[7] Although Botswana does not have any active IBRD/IDA projects, it does have four active IFC mining projects that were approved prior to 2005.

## End Notes

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<sup>i</sup> Revised August 2007 to incorporate World Bank Group staff comments.

<sup>ii</sup> When appropriate, the assessment considered WBG activities before 2004 – such as when there is an EI project of great significance, which typically did include transparency measures, or where the current country strategy began in 2003 and should have been updated by now to reflect the importance of revenue transparency among other issues (these exceptions are clearly noted in Table 2).

<sup>iii</sup> Country strategies reviewed include: Country Assistance Strategies, Country Partnership Strategies, Interim Strategies, Interim Strategy Notes, Transitional Support Strategies, and Regional Integration Assistance Strategies.

<sup>iv</sup> All current EITI countries are considered by the World Bank to be a *resource-rich* country or a country with *substantial resources* (see footnote below for definition).

<sup>v</sup> As defined by the World Bank – *resource-rich countries* are those in which EI account for, or are expected soon to account for, more than 50 percent of government revenues and *countries with substantial resources* are those in which extractive industries account for, or are expected to soon account for, 30 to 50 percent of fiscal revenues or exports.

<sup>vi</sup> It should be noted that the WBG does address other governance concerns related to EI, however this assessment's specific focus is revenue and contract transparency which the WBG has made concrete commitments to improve.

<sup>vii</sup> This is important because for FY06 34% of WBG lending operations to the extractive industries (by value) went to countries with substantial resources and, moreover, 90% went to non-resource-rich countries.

<sup>viii</sup> EITI is a global multi-stakeholder process involving governments, companies, civil society, and other stakeholders that encourages resource-rich country governments to disclose and audit information on payments and revenues from the oil, gas and mining industries to improve accountability. See [www.eitransparency.org](http://www.eitransparency.org) for more information.

<sup>ix</sup> International Finance Corporation (IFC), 2006. Policy on Social and Environmental Sustainability. April 30, 2006.

<sup>x</sup> Discussion between Heike Mainhardt-Gibbs and Clive Armstrong, World Bank Group, Oil, Gas, Mining, and Chemicals Department, March 7, 2007.

<sup>xi</sup> The IFC states that investments that involve exploration, which are typically equity investments, most often involve follow-up IFC assistance if production commences from exploration and it is at that time that revenue transparency would be required. However, there is no guarantee that a company would seek further IFC financing.

<sup>xii</sup> The Extractive Industries Review (EIR) was a three-year, independent evaluation of World Bank Group support for the oil, gas, and mining sectors. The final report of the EIR evaluation is entitled "Striking a Better Balance – The World Bank Group and the Extractive Industries: The Final Report of the Extractive Industries Review" (December 2003). The final EIR report presented a series of recommendations, including: 1. "Promote transparency in extractive industry revenue flows"; and 2. "WBG should promote disclosure of key documents, including production-sharing agreements, host-country agreements, power purchase agreements, economic and financial assessments, environmental and social assessments, monitoring and evaluation results, and accident prevention and emergency response information, and company annual monitoring reports" (page 47).

<sup>xiii</sup> World Bank Group, 2004. Striking a Better Balance – The World Bank Group and Extractive Industries: The Final Report of the Extractive Industries Review – World Bank Group Management Response. September 17, 2004. page 4.

<sup>xiv</sup> See [www.publishwhatyoupay.org](http://www.publishwhatyoupay.org) for more information on the PWYP coalition. See [www.eitransparency.org](http://www.eitransparency.org) for more information EITI.

<sup>xv</sup> In countries where the Bank has little leverage, pressure from the international community, especially diplomats from developed countries, has been an important factor in EITI endorsement.

<sup>xvi</sup> According to the Bank, the Country Assistance Strategy (CAS) is the most important World Bank country document. It is tailored to the needs and circumstances of each country and lays down the World Bank Group's development priorities, as well as the level and type of assistance the Bank will provide for a period of three years. The Country Assistance Strategy is the detailed report on the World Bank's priority areas to assist countries with their own development programs. It describes all of the World Bank's planned operations in a given country: lending, studies and other technical assistance.

<sup>xvii</sup> IFC response: It typically takes 12-18 months or more to prepare CAS and lending documents and thus documents which were issued in 2004 would likely not have been prepared before the EIR Management Response was issued. In some cases [in the assessment] there is a criticism that CAS documents should have been updated to reflect the MR, but there are many other factors that determine the timing of CAS preparation for each country. [Author note: the assessment uses the Bank's June 2003 EITI endorsement as the starting point for country strategies.]

<sup>xviii</sup> EITI website at: <http://www.eitransparency.org/> as consulted during January and February 2007. Please note, the World Bank is responsible for the content of the EITI website.

<sup>xix</sup> All current EITI countries are resource-rich or countries with substantial resources as defined by the World Bank (see endnote above) with the exception of Cote d'Ivoire.