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European Bank for Reconstruction and Development,  
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Dear Sir/Madam,

**Promoting revenue transparency in the extractive sector - Comments by the “Publish What You Pay” international NGO coalition on the EBRD Energy Policy**

Thank you for the opportunity to contribute to the development of the EBRD’s new Energy Policy. The “Publish What You Pay” (PWYP) international NGO coalition, which is comprised of over 260 members in over 50 countries worldwide, would like to comment specifically on the Bank’s policies relating to revenue and contract transparency in the extractive sector.

PWYP welcomes the Bank’s commitment to the promotion of transparency in the extractive industry by actively supporting the implementation of the Extractive Industries Transparency Initiative (EITI) by providing technical and capacity building assistance to host-governments where the Bank operates, and by promoting transparent revenue reporting as well as increased financial and organisational transparency in these countries. If confirmed by concrete measures, these are important first steps towards more stable and sustainable development of resource-rich countries.

Recently EBRD staff informed PWYP that it is already a rule that the Bank only engages with companies that disclose their contract terms and, furthermore, that loan agreements oblige borrowers to publish audited financial reports. While these general rules are to be highly commended, none of these transparency commitments are reflected in any EBRD operational policies. Moreover, the Bank currently does not disclose any sections of its loan agreements that contain a project’s specific revenue and contract transparency requirements.

The lack of such published policy requirements on transparency and the non-disclosure of loan agreements hamper the efforts of local communities and civil society to hold both individual companies and the EBRD accountable. Moreover, this may undermine the impact of the Bank’s lending operations in these countries, since lack of transparency in the extractive industry is associated with high levels of corruption, irresponsible governance and, as a result, political and economic instability in many of these countries.

We have also been surprised not to find any specific recommendations with regard to revenue and contract transparency in the evaluation of past performance in the extractive industries, recently carried out by the Bank's Independent Project Evaluation Department. This is

particularly concerning in light of efforts by other international financial institutions to vigorously pursue revenue transparency.

For example, the World Bank, prompted by Extractive Industries Review, has committed at the company level to require transparency of payments to governments as a condition for all new investments in extractive industries within two years. Revenue transparency is also a requirement of all existing large-scale projects to which IFC and MIGA support is provided.

We believe that the new Energy Policy, which is replacing the Natural Resources and the Energy Operations policies currently in force, provides the EBRD with an important opportunity to take the lead in promoting revenue transparency in extractive sectors. Accordingly, the EBRD's new Energy Policy should clearly reflect the following transparency requirements:

- Public disclosure of all revenue payments (including royalties, taxes, commodity based payments, signing bonuses etc) made to governments and their agents by all extractive projects that receive the financial support of the EBRD, including those made via financial intermediaries;
- Public disclosure of all revenue payments received from the extractive industries by governments receiving loans or technical assistance from the Bank;
- Public disclosure of key contractual agreements (HGAs, IGAs, & PSAs) for all extractive projects funded by the Bank; and
- Mandatory disclosure of the transparency-related requirements contained in loan agreements.

In our opinion, implementation of these recommendations will allow the Bank to play a more proactive role in advancing transparency across all its activities and in all member countries.

We hope that the comments and recommendations in this letter will be taken into account and incorporated into the draft to be approved by the Bank's Board of Directors. We look forward to continuing our co-operation with the Bank on this issue.

Yours sincerely,

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