PUBLISHWHATYOUPAY

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Re: The Extractive Industries Review and revenue transparency

Dear Executive Director,

We are writing to comment on an important element of the World Bank management's response to the Extractive Industries Review. We are encouraged by the Bank's recognition that revenue transparency in the oil, gas and mining industries is "essential for better governance" but we are concerned that the Bank may be missing an opportunity to address this issue in a systematic and effective way.

The EIR urged the Bank to "vigorously promote" transparency of oil, gas and mining revenues at country and company level. To do this, extractive companies need to publish what they pay to governments, and governments publish what they earn, so citizens can verify the data and ensure that revenues are used accountably to alleviate poverty and promote sustainable development.

In response to the EIR, the Bank management is proposing that investment projects in the oil, gas and mining industries which receive Bank financial support (i.e. from IFC and MIGA) will be obliged to disclose their revenue payments to governments. Although details need to be clarified, this is a welcome proposal which we urge you to support.

However, citizens of Bank borrower countries cannot exercise oversight over the management of revenues from oil, gas and mining, ensuring that they are accountably used to promote development and reduce poverty, unless they have full information on all revenue flows. This means transparency of significant payments to the state by all extractive projects, not just those financed by IFC and MIGA, and transparency in the receipt of such revenues by governments.

The Bank should take a comprehensive approach by requiring revenue transparency from all resource-rich borrower countries in return for all its non-humanitarian funding, from the IBRD and IDA as well as IFC and MIGA. But despite recognizing the centrality of transparency to better governance at the country level, the Bank is proposing only to "encourage" transparency on a voluntary basis, in a small number of countries, with a review after three years.

This piecemeal and voluntary approach may work in countries where there is political will, or where pressure for transparency from civil society and the international community has been effective. But in countries where political will does not exist or where local civil society cannot work freely, voluntary engagement is unlikely to lead to genuine transparency.

In such cases, would the Bank continue to lend even if a government declined to be transparent about its own revenues? To do so would be to seriously undermine the Bank's own credibility, and worse, its own aims of promoting development and reducing poverty.

Fortunately, the Bank can resolve this problem by requiring revenue transparency as a condition of all its non-humanitarian loans and technical assistance, not just to IFC or MIGA project partners but to all governments of resource-rich countries which receive funding from the Bank.

This would mean published audits of the receipt and spending of extractive revenues by borrower governments and implementation by these governments of the Extractive Industries Transparency Initiative or comparable programme of disclosure, as well as publication of project documents of public interest, such as production-sharing agreements, within a specific timeframe.

The Country Assistance Strategy for each resource-rich borrower country would need to explain risks and mitigation measures and spell out what the Bank will do to help a government strengthen its capacity for accountable revenue management. The Bank also needs to ensure genuine consultation for civil society in designing and implementing all these steps.

We urge you as an Executive Director, to call on the Bank to require transparency of revenue flows from oil, gas and mining in all resource-rich client countries, covering companies that pay revenues and governments that receive them.

Yours sincerely,

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