

**EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)
MULTI-DONOR TRUST FUND (MDTF)**

PROGRESS REPORT

UPDATE TO THE MDTF MANAGEMENT COMMITTEE

Washington, DC May 14, 2009

A. INTRODUCTION

1. The half-year since the last MC meeting in Athens in October 2008 has been quite eventful. At the MC meeting in Athens, the donors discussed the increased take-up of EITI and solidification of global EITI architecture, and the resultant evolution of the Bank's EITI team and MDTF work program—and the clear focus on validation. Thus the recent work program has focused intensely on support to countries ready for validation, working in close concert with the EITI Secretariat Oslo. Yet the work program also includes (i) active **implementation support** to a growing volume of countries so they can produce their first EITI Report and be ready to begin validation; (ii) focused outreach support to newer countries including to help to meet **EITI Secretariat goals for outreach**; and (iii) continuing work on **global knowledge and learning**, leveraging the accumulated implementation lessons/experiences within the EITI team and MDTF.

2. After the informal MC meeting in Doha in February 2009, validation became the top priority for all stakeholders involved in EITI. The EITI Secretariat, the World Bank and the MC worked together to build on the momentum of the Global Conference and identify priority countries and regions for focused implementation and validation support. In addition, the Bank's EI Week in March offered an excellent opportunity for companies, countries, civil society, and Bank staff to come together to learn and identify key issues for EITI.

3. Going forward, the Bank, with support from the MDTF donors, will continue to support EITI implementation in all its dimensions—with a focus on validation support. The donors have agreed to scale up assistance in some regions (EAP and LAC) and focus on validation for the candidate countries that are most likely and most committed to reaching validation. This scaled up effort will require additional financial and/or in-kind support from the donors, which will be discussed in more detail during the Fiduciary meeting.

B. COUNTRY STATUS IN CONTEXT OF WORK PLAN

4. **Work Program.** The updated MDTF work program for FY09-11 calls for a total budget of US\$24.3 million, which includes US\$19.0 million for country programs and US\$5.3 million for recipient-executed activities via Grant Agreements. The cumulative budget includes US\$3.8 million for global knowledge and learning support. The updated FY09-11 work program covers 47 countries as of March 2009, versus 46 countries as of September 2008.

5. **Portfolio Status.** As of May 2009, 26 countries reached EITI Candidate status, with one Compliant (Azerbaijan) and one OECD country (Norway). Also by extensive work including by WB/MDTF, another four countries can be expected to become Candidates at the May EITI Board meeting. Another 12 countries have announced their intention to implement EITI and 11 are in dialogue/considering EITI implementation.

6. **MDTF Grants.** Three grants have completed and closed—Cameroon, Mauritania, and Nigeria Phase I. There are 11 currently active grant agreements—Côte d’Ivoire, Guinea, Ghana, Kyrgyz Republic, Liberia, Madagascar, Mongolia Phase I, Peru, Sao Tome & Principe, Timor-Leste, and Yemen—for a total value of US\$3.3 million, of which US\$0.9 million had been spent by recipients as of May 2009. Six Grant Agreements with new countries—CAR, DRC, Equatorial Guinea, Mali, Niger, and Sierra Leone—have now been fully cleared by the Bank and are awaiting government countersignature. Phase II grants for Mongolia and Nigeria have been approved by the MC and are being prepared and Phase II support for Liberia and Ghana will soon come to the MC for consideration. In addition, the Bank team anticipates receiving more proposals for new Candidate countries soon, like Tanzania, Mozambique, Burkina Faso, Albania, and Zambia.

7. **Country Status Report.** A detailed overview of country-led activities is provided in the Country Status Report. The prospects for early progress towards validation can be gauged by the status of EITI reports issued by countries. There are currently 26 EITI Candidate countries (of which one Compliant-Azerbaijan).¹ Ten of these countries have now produced at least one EITI report. The Bank, the Management Committee and the EITI Secretariat are closely monitoring progress toward validation, as shown in Table 1 below.

8. **Global Knowledge and Learning Support.** Over the reporting period, the MDTF supported several global or regional knowledge and learning activities organized by the Bank and aimed a cross-country sharing of experiences, including the following:

- Translations of the Implementing the Extractive Industries Transparency Initiative: Applying Early Lessons from the Field into *Russian, Portuguese, and Swahili*.
- *Mediterranean Roundtable.* As explained in more detail in the binder, the Secretariat and the African Development Bank (ADB) co-hosted a Mediterranean Roundtable on the EITI in Tunis 25-26 November, with MDTF support as well. The event provided a platform for senior government and company representatives from North African countries to meet with Northern partners. Representatives from the Arab Maghreb Union and three non-governmental organizations were also present. The Roundtable was a first step for engaging in dialogue with these important oil, gas and mining countries.
- *Collaboration with the EITI Secretariat.* InWent seminars in Berlin, November and December, 2008.

1. EITI candidate countries are those that have met the four sign-up criteria: (i) issuance of a public statement committing to EITI implementation; (ii) commitment to work with civil society and companies on EITI implementation; (iii) appointment of a senior government official to lead EITI implementation efforts; and (iv) publication of a costed work program with measurable targets and an implementation timetable, that has been agreed by key stakeholders.

Table 1: EITI Candidate Countries—Status of Publication of EITI Reports (April 30, 2009)

Countries which have produced and published at least one EITI Report (11 countries)			Countries at varying stages of progress in producing their first EITI Report (15 countries)		
Country	No. of Reports Issued to Date	Next EITI Report expected	Country	Status of appointment of Reconciler/ Auditor	First EITI Report expected
Azerbaijan	8	By end 2008	Central African Republic	Report has been handed in to the MSWG	
Cameroon	2	Second half 2009	Mali	Report underway	May 2009
Ghana	3		Niger	Report underway	May / June 2009
Guinea	1	(funding constraints)	Yemen	Effectively no progress	
Kyrgyz Republic	1	possibly second half 2009	DR Congo	TORs ready; funding about to be secured	Second half 2009 possible
Mauritania	2	(process stalled)	Equatorial Guinea	TORs ready	Second half 2009 possible
Nigeria	2		Madagascar	Process stalled	
Kazakhstan	2		Rep of Congo	TORs are ready; recruitment underway	Second half 2009
Liberia	1	End of 2009	Sao Tome e Principe	Process not yet started (JDZ - to do with Nigeria)	
Mongolia	2		Sierra Leone	TORs finalized and recruitment underway	Second half 2009
Gabon	3		Timor-Leste	TORs ready and recruitment completed	Second half 2009
			Côte d'Ivoire	Work on TORs began	By late 2009
			Peru	TORs ready and reconciler selected	Second half 2009
			Tanzania		
			Norway		

C. KEY FIDUCIARY DATA

9. **Donor Support.** As of April 30, 2009, a total of \$22.9 million had been pledged to the MDTF by 13 donors, including an anticipated US\$3.0 million contribution from the United States and US\$1.5 million from Switzerland. On April 9, 2009, Finland became the eleventh donor to the MDTF, with a total contribution of EUR 800,000. From inception through the April 30, 2009, the World Bank Group has committed US\$4.1 million through its own budget processes and US\$1.1 million through the Development Grant Facility (DGF), now closed to new grants. In addition, there are indications that the United States will contribute an additional \$3.0 million to the MDTF by mid-FY10. (See Financial Report for more detailed discussion of fiduciary information.)

D. FOLLOW-UP ON DOHA COMMITMENTS

10. **MC Commitments at Doha.** At the informal MC meeting in Doha, MC members agreed to discuss progress made on addressing the following issues at the May meeting: political dimensions; discussion of the evaluation report; scaling up EITI in EAP and LAC; scaling up EITI support in-country; improving knowledge of donors; improving EITI reporting quality; assessment of implementation/validation constraints; priority countries; outreach to new

countries; and WB budget issues. A discussion of the work so far on these issues follows, and is summarized in Table 2.

11. **Political dimensions.** The Country Status Report now contains, as an attachment, additional one-page analysis of issues in selected countries. The strategy document was delivered in Doha.

12. **Evaluation report findings and follow-up.** Preliminary findings and recommendations from the evaluation report were circulated and discussed at the informal meeting in Doha. The MC agreed to postpone discussion until the final report was ready, which will be at the May meeting.

13. **Scaling up in EAP and LAC.** As the MDTF strategy document for Doha meetings (February 2009) notes, the current MDTF country portfolio (and hence work plan effort) is concentrated heavily on Africa. Two resource-rich Regions in particular, East Asia and the Pacific and Latin America and the Caribbean, clearly lag other Regions. Although this is foremost a reflection of the lower level of interest for EITI among countries in these Region, it is the case that the MDTF effort in those two Regions has been commensurately less intense.

- **East Asia and Pacific (EAP).** As explained in more depth in the MC meetings binder, visits were made to Indonesia and Timor-Leste, and to bilateral donor colleagues at AusAID to identify priorities and way forward. Overall sense is that focused outreach effort in the key target countries of Papua New Guinea, Cambodia and, potentially, the Philippines, could produce results and a commitment to EITI, but would be high effort with potentially low reward since consensus (based on WBG experience and that of ADB and other bilateral donors) is that EITI is not the highest priority among policymakers and government in each of these countries. Indeed, depending on the country specifics, there may be a reluctance to adopt EITI and/or collaborate with CSOs on EITI and natural resource management issues. Thus, the current MDTF and partners' effort in Mongolia and Timor-Leste, as well as Indonesia, will be maintained to ensure momentum continues.
- **Latin America and the Caribbean (LAC).** On Thursday, April 16, the Bank hosted a teleconference on scaling up EITI in LAC, with participation from Canada, Finland, Norway, Spain, USA, IFC (LAC-based staff), World Bank (DC-based staff), and Oslo Secretariat. The participants agreed to support the efforts in LCR and to begin by holding a regional event in Lima to correspond with the date of public disclosure of Peru's first EITI report (proposed event date **July 21-22**—to be confirmed when everyone is in DC for the meetings in May). The proposed event is considered a key component of the communication strategy **for the public disclosure of the first Peruvian EITI report.** In addition, the event could help with other related purposes, mainly: a workshop to improve the understanding of EITI by civil society participants, and a LAC regional outreach effort, by bringing to Lima participants from countries such as Bolivia, Colombia, and Trinidad and Tobago that could be also interested in signing up to the EITI once they understand the progress made in Peru at national and sub-national levels.

14. **Scaling up EITI in-country.** MC members, especially the EC and Belgium, agreed to sponsor an event in Brussels to bring together country-based donor representatives to explain EITI to them and gain their support. The event is tentatively scheduled for the second half of calendar year 2009, probably in the fall.

15. **Improving knowledge of donors.** This process has begun, with TTL Craig Andrews organizing a local donor group in DRC.
16. **Improving EITI reporting quality.** Questions of quality and consistency continue to arise regarding the EITI reports and must continue to be monitored as EITI reporting becomes more regular. The quality of EITI reporting is expected to become increasingly important as the countries move toward validation. Several candidate countries are now producing reports and it is important to keep this issue in mind as they move forward (Table 1). The EITI Board may consider what should be the minimum standards for these reports and how to enforce quality and compliance with these standards. To address these issues and provide input to the Board, the Bank convened a meeting in Paris on April 2, 2009 and will hold a second meeting on May 13 to fine-tune the findings and recommendations of the participants.
17. **Assessment of implementation/validation constraints.** The MC meetings binder contains a brief discussion of a small group of countries where direct donor support could make a difference, e.g. Indonesia, Timor-Leste, Ghana, and DRC.
18. **Priority countries for validation support.** The Bank issued an action plan, which identified the following priority countries: Cameroon, Ghana, Kazakhstan, and Mongolia. In addition, the following countries are ready for validation: Nigeria, Kyrgyz Republic, Guinea, Mauritania, and Gabon. Finally, the following countries will require little or no action on validation: Azerbaijan (Compliant) and Liberia (validation in progress). See “EITI Validation Action Plan” provided in the binder for further details.
19. **Outreach to new countries.** At the request of the EITI Secretariat, the World Bank Europe and Central Asia Region (ECA) and the Oil, Gas and Mining Policy Division (COCPD), a fact-finding mission was fielded in Sofia, Bulgaria from April 14 to 18, 2009 to assess the possibility of designing a " Pilot EITI " template to enable public disclosure and monitoring of gas purchase and sale contracts, transit fees and related fiscal revenues. The objective of the mission was to assess whether EITI implementation could be an effective mechanism for enhancing governance in gas markets and gas transit in Bulgaria. A tailored EITI process, if proven successful in Bulgaria, could be replicated to other countries in the Region, faced with similar gas supply and security related issues. The Mission was followed by a high-level delegation from the EITI Secretariat, to explore further this dialogue with the authorities.
20. **WBG budget issues.** The focus on validation and the growth in the EITI country portfolio have led to a substantial increase in WB staff workload, especially over the past year. As a result, the 10% cap on WBG staff time and travel charges has now been reached. The business case for an increase of this limit from the current 10% to 15% was made in the document sent to the donors on April 22, 2009 (and a copy is included in the binder). The main reasons, and business case, for increasing the cap to 15% are:
- a. The bulk of the WB staff charges are for direct country TA work on EITI, not for program management or administration.
 - b. While alternatives do exist (such as staff secondments from donors and use of consultants, especially in the field), these are longer-term options. The requested increase is the most effective option to rapidly meet the situation faced by the Bank.
 - c. The WB needs to remain in compliance with the TF Administration Agreements.
 - d. The increase will allow the Bank and the donors to keep the momentum of the MDTF work plan (which is at a critical stage in many countries ahead of the validation deadlines in early 2010).

Table 2: Summary of Status of Commitments at Athens and Doha

<i>Commitment</i>	<i>Status</i>
Political dimensions (Athens)	The CSR contains one-page analysis of issues in selected countries – to be discussed. The strategy document was delivered in Doha – now the WB and MDTF are focusing on actions.
Evaluation (Doha)	Circulated and to be discussed at the meeting.
Scaling up EITI in EAP (Doha)	Based on mission to Indonesia, Timor-Leste, and AusAID, the overall sense is that focused effort in Papua New Guinea, Cambodia and, potentially, the Philippines, could produce results and a commitment to EITI, but would be high effort with potentially low reward since consensus is that EITI is not the highest priority among policymakers and government in each of these countries.
Scaling up EITI in LAC (Doha)	April 16 teleconference (Canada, Finland, Norway, Spain, USA, IFC, World Bank and Oslo Secretariat). The participants agreed to support the efforts in LCR (focus countries: Bolivia, Colombia, Peru, T&T). Will begin by holding a regional event in Lima in July 2009 to correspond with the date of public disclosure of Peru's first EITI report.
Scaling up EITI in-country (Doha)	FY2010 – Brussels event as agreed in Doha – second half of CY2009
Improving knowledge of donors (Doha)	Beginning – TTL Craig Andrews organized local donor group in DRC.
Improving EITI reporting quality (Doha)	Began – final report to emerge after second meeting in May in DC.
Assessment of implementation/validation constraints (Doha)	Brief discussion of countries where direct donor support could make a difference—Indonesia, Timor-Leste, Ghana, and DRC.
Priority countries (Doha)	Action plan done – see binder.
Prioritizing new countries (Doha)	Ongoing
WB budget issues (Doha)	See email from Paulo de Sa (copy provided in binder), dated April 22, 2009

E. LOOKING AHEAD

21. In view of the validation deadlines established by the EITI Board (early 2010 in most cases), the two key priorities and challenges the MDTF EITI team expects to address over the next year will include (i) urgency in technical assistance to help countries be ready for—and actually fund and undertake—the **validation process within the 2-year deadline**; and in this respect (ii) specifically target proactive assistance to countries ready for validation (as the team has been doing over the last few months).

22. Yet, in parallel the team will also need to be responsive **to meeting demand from new countries** interested in EITI or wishing to adopt EITI, and continuing the program of **global knowledge and learning** activities, in coordination with the EITI Secretariat Oslo.

23. All this will mean continual trade-offs and shifts in work programming to meet these multiple goals—which we expect will be an ongoing feature of the way the EITI team and MDTF operates in the period ahead, with the much-appreciated support of Management Committee members and donors and partners.