

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

**ANNUAL PROGRESS REPORT TO THE  
MDTF MANAGEMENT COMMITTEE  
MAY 2008**

**I. INTRODUCTION AND SUMMARY**

1. **Scope of Report.** This report provides an overview of implementation progress under the Extractive Industries Transparency Initiative (EITI) Multi-Donor Trust Fund (MDTF) since the June 2007 annual report. Although the report covers progress over the past year, the focus is on activities and issues over the past six months, since the November 2007 MDTF Management Committee meeting. The report discusses key trends, strategic issues, and challenges going forward, and presents items for discussion at the Management Committee meeting scheduled for May 28, 2008 in Madrid, Spain. A detailed background document with specifics of the proposed FY09-10 MDTF work program has been provided separately for review by Management Committee members; a separate MDTF financial report has also been provided for members to review as part of their fiduciary due diligence in regard to the MDTF.

2. **Country Status.** As of May 1, 2008, 23 countries had reached EITI “candidate” status versus 15 in November 2007. Another six countries have announced their intention to implement EITI and 14 are in dialogue/considering EITI implementation. Ten countries have now produced one or more EITI reports compared to eight countries at this time last year. Keeping apace, the proposed FY09-10 MDTF work program covers 43 countries, versus 40 as of the quarter ended September 30, 2007 and 31 as of the quarter ended March 31, 2007.

3. **MDTF Grants.** Nine MDTF Grant Agreements have been signed—with Cameroon, Ghana, Guinea, Liberia (April 2008), Mauritania, Mongolia, Nigeria, Peru, and Yemen (April 2008)—for a total value of US\$4.76 million, of which US\$2.54 million had been spent by recipients as of March 31, 2008. Grant Agreements for the Democratic Republic of Congo, in the amount of US\$0.8 million, and Madagascar, in the amount of US\$0.35 million, are under preparation. Over the next three to six months, Grant Agreements with Equatorial Guinea, Kyrgyz Republic, Mali, Niger, and Republic of Congo are likely, while over the next six to 12 months (or more) Grant Agreements with Cote d’Ivoire, Sao Tome and Principe, Sierra Leone, and Timor-Leste are expected. Over the next several months some grant recipients will exhaust MDTF grants/complete their Grant Agreements—this is already the case with Nigeria. The Management Committee needs to decide if “second phase” support will be provided to countries that request additional MDTF grants (Mauritania and Ghana have also indicated that they will request additional funds). This issue will be covered in the discussion of the FY09-10 MDTF work program during the Management Committee meeting.

4. **Donor Support.** As of March 31, 2008, a total of US\$16.94 million had been committed to the MDTF by 11 donors, versus US\$13.3 million from nine donors as of September 30, 2007 and US\$12.0 million as of March 31, 2007. The European Commission became the newest MDTF donor in April 2008 while Spain became a donor in December 2007. The United States has confirmed its commitment to contribute to the MDTF, while Switzerland, Austria, Finland, and Italy continue to express interest or remain in contact. From inception through FY08, the World Bank Group has committed US\$2.9 million through its own budget processes and US\$1.1 million through the Development Grant Facility (DGF).

5. **Work Program.** The proposed MDTF work program for FY09-10 calls for a total budget of US\$16.33 million, including US\$11.57 million for Bank-executed activities and US\$4.76 million for recipient-executed activities via Grant Agreements. The budget includes US\$0.90 million for global

knowledge and learning support and US\$0.3 million for support to new countries. The FY09-10 work program covers 43 countries as of March 31, 2008 versus 31 as of March 31, 2007.

6. ***Collaboration with EITI Secretariat.*** At its February 2008 meeting, the EITI Board agreed to the Memorandum of Understanding (MOU) defining the relationship between the MDTF Management Committee and the EITI Board/Secretariat. The MOU is now in the process of being signed by all parties. While the Board was content with the MOU, it requested more information on MDTF activities, more alignment of the Board/Secretariat and MDTF work programs, and more consultation with civil society and companies on country activities. As such, the Bank and EITI Secretariat agreed to prepare jointly country progress reports for each Board meeting (the Bank EITI Team prepared its part of the joint report in mid-May 2008). The Bank will present the MDTF work program at the EITI Board meeting on May 27, 2008 in Madrid, Spain; the work program will also be posted on the World Bank and EITI websites. Since its official launch in September 2007, collaboration between the Bank and EITI Secretariat has been extremely close, particularly in supporting potential EITI candidate countries to achieve this status. In addition the Bank, with MDTF support, commissioned a paper, addressed mainly to the EITI Board/Secretariat, summarizing various EITI policy issues in need of attention to smooth country-level implementation. The draft paper was discussed with the EITI Secretariat in early May 2008 and the final paper is expected to be circulated to the MDTF donors and the EITI Secretariat soon.

7. ***Collaboration with Other Agencies.*** In addition, the African Development Bank (AfDB), Asian Development Bank (AsDB), and European Investment Bank (EIB) have now endorsed EITI, and the World Bank is committed to working closely with them and others to coordinate support to various EITI stakeholders. Revenue Watch Institute (RWI) has also submitted its report on the two-year program of World Bank DGF support, stating *inter alia* that seven of eight African countries that received support under this program achieved EITI candidate country status as a direct result.

8. ***Outreach Activities.*** Over the reporting period, the MDTF supported several global/regional knowledge and learning events organized by the Bank and aimed at cross-country sharing of experiences. This included separate seminars for African civil society and government official/industry representatives; an event to raise awareness of EITI among donors in the East Asia Pacific region; a workshop bringing together audit firms contracted to prepare EITI reports; and launch of the publication, *Implementing the Extractive Industries Transparency Initiative: Applying Early Lessons from the Field*.

9. ***Strategic Issues Going Forward.*** Validation for EITI candidate countries is now expected to be completed within the next two years. While there is agreement that countries will pay for validation from their own resources, the Bank EITI Team expects that assisting candidate countries to complete validation in the timeframe allotted will require considerable time and attention going forward—particularly for those candidate countries that have not yet completed an EITI report. In addition, although donor consensus is that the cost of validation will be borne by EITI implementing countries, it is not out of the question that MDTF support would be requested. Beyond validation, the discussion of MDTF strategic directions started at the November 2007 Management Committee remains relevant: key questions include the balance between “wider” versus “deeper” MDTF support for EITI implementation (i.e., number of new countries versus quality of implementation in existing EITI countries) and mainstreaming EITI into country systems so that MDTF support can eventually be phased out. As an input to strategic directions, an evaluation of Bank support to EITI implementation, including via the MDTF, will be undertaken in the context of the review of the DGF program. Once completed, the results of this evaluation will be shared with the Management Committee. Finally, the launch of the so-called “EITI++” approach on the occasion of the 2008 World Bank/IMF Spring Meetings is on the agenda for discussion by the Management Committee at its May 28, 2008 meeting.

## II. OVERVIEW OF COUNTRY STATUS

12. **Country Status Report.** A detailed overview of country-level activities is provided in the Country Status Report background document for the Management Committee meeting. Highlights of key areas follow.

13. **EITI Candidate Countries.** The Bank EITI Team spent considerable time over the reporting period supporting implementing countries to achieve EITI candidate status.<sup>1</sup> At its September 2007 meeting, the EITI Board confirmed 15 EITI candidate countries: Azerbaijan, Cameroon, Gabon, Ghana, Guinea, Kazakhstan, Kyrgyz Republic, Liberia, Mali, Mauritania, Mongolia, Niger, Nigeria, Peru, and Yemen. Further information for an additional nine countries was requested by the Board, while Bolivia and Cote d'Ivoire were assessed as not having met the criteria. The Bank Team and EITI Secretariat worked closely with the nine countries in preparation for the EITI Board meeting in February 2008, at which time the Board agreed that seven of the countries—Democratic Republic of Congo, Equatorial Guinea, Madagascar, the Republic of Congo, Sao Tome and Principe, Sierra Leone, and Timor-Leste—had achieved candidate status. The Governments of Chad and Trinidad and Tobago were encouraged to apply for candidature once they have met the criteria. Côte d'Ivoire recently submitted an application for candidate status, which the Board accepted thus it became a candidate country effective May 12, 2008. This brings the total number of EITI candidate countries to 23. In addition, two new countries have publicly announced their intention to implement EITI: Iraq in February 2008 and Norway at the EITI Board meeting in September 2007; Norway is the first developed country to do so.

14. **EITI Reports.** Ten countries have now produced one or more EITI reports, in comparison to eight countries at this time last year. Mongolia published its first report in February 2008, covering mining revenues from 2006, and Kazakhstan published its first report in March 2008—on the occasion of its first National EITI Conference—covering oil and gas revenues from 2005. In addition, Gabon produced a third report in March 2008, covering oil revenues from 2006, and Ghana produced a second report in February 2008, covering mining revenues from the second half of 2004 in complement to the first report covering revenues from the first half of 2004. At the same time, it should be noted that questions of quality and consistency of EITI reports arise among stakeholders. This is an important issue to monitor as EITI reporting becomes more regular. While the EITI process—in terms of the tripartite (government, industry, civil society) approach and trust building among stakeholders is key—going forward the quality of EITI reports is expected to become increasingly a focus of attention.

## III. TRUST FUND BALANCE AND WORK PROGRAM PROJECTIONS

15. **MDTF Work Program FY09-FY10 and Financial Report for FY08.** A detailed background document with specifics of the global and country-level activities of the proposed MDTF work program for FY09-10 has been provided separately for review by Management Committee members. A separate Financial Report has also been provided to Management Committee members as part of their fiduciary due diligence in regard to the MDTF. This section provides an overview of these background documents.

16. **Sources of Funds.** As of March 31, 2008, a total of US\$16.94 million had been received and committed to the MDTF by 11 donors, versus US\$13.3 million from nine donors as of September 30, 2007 and US\$12.0 million as of March 31, 2007. The United States has confirmed its commitment to contribute to the MDTF, while Switzerland, Austria, Finland, and Italy continue to express interest or remain in contact.

---

<sup>1</sup> 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.

17. **Uses of Funds.** The proposed MDTF work program for FY09-10 (i.e., July 1, 2008 through June 30, 2010) calls for a total budget (and cumulative expense to date) of US\$16.33 million. Of this total, US\$11.57 million is for Bank-executed activities <sup>2</sup> (of which US\$3.10 million in actual disbursements as of March 31, 2008) and US\$4.76 million is for recipient-executed activities via existing Grant Agreements (of which US\$2.54 million spent by recipient countries as of March 31, 2008).<sup>3</sup> The budget includes US\$0.90 million for global knowledge and learning and support for EITI, which mainly includes regional and global knowledge work. Cumulative MDTF disbursements for Bank and recipient-executed activities as of March 31, 2008 stood at US\$5.6m.

18. **Grant Agreements.** Table 1 below shows the status of recipient-executed Grant Agreements as of March 31, 2008, including the two most recent agreements—Liberia and Yemen—bringing the total to nine. Grant Agreements with the Democratic Republic of Congo (US\$0.8 million) and Madagascar (US\$0.35 million) are under preparation, with others (Kyrgyz Republic, Mali, Niger, etc.) over the next six to 12 months (or beyond). The rate of disbursement (i.e., % spent) under the seven Grant Agreements effective as of September 30, 2007 has increased from 58 percent to 65 percent as of March 31, 2008.

**Table 1. MDTF TF Grant Agreements as of March 31, 2008**

Country	Grant No.	Closing Date	Grant Amount (US\$)	Amount Spent (US\$)	Balance (US\$)	% Spent
Nigeria	TF056072	03/28/2008	2,220,000	1,799,000	421,000	81
Cameroon	TF056698	06/30/2008	130,000	127,000	3,000	98
Mauritania	TF056657	06/30/2008	240,000	169,000	71,000	70
Peru	TF057870	06/30/2008	300,000	0*	300,000	0
Ghana	TF057337	12/31/2008	249,000	113,000	136,000	45
Mongolia	TF058156	12/31/2008	304,000	127,000	177,000	42
Liberia	TF090446	06/30/2009	400,000	N/A**	400,000	0
Guinea	TF056637	09/20/2009	569,000	206,000	363,000	36
Yemen	TF090446	10/31/2010	350,000	N/A**	350,000	0
<b>Totals</b>			<b>4,762,000</b>	<b>2,541,000</b>	<b>2,221,000</b>	<b>53</b>

\*Not disbursing due to recipient's slow progress on action plan. \*\* Grant Agreement only signed in April 2008.

19. **Implementing Country Contributions.** Many EITI implementing countries have put their own budget resources toward EITI activities. As noted in previous reports, Ghana and Cameroon have paid for their EITI reports while Gabon and Azerbaijan have paid all costs associated with EITI implementation. Mauritania has funded the cost of the local EITI secretariat and a portion of other activities; Timor-Leste has also allocated budget to pay for secretariat support for its EITI working group as well as a portion of capacity building and outreach activities. Nigeria and Democratic Republic of Congo are also planning considerable government budget outlays to support implementation of their respective EITI work plans. All implementing countries are providing resources in the form of civil service and ministerial time, etc.

20. **World Bank Contribution.** From inception through FY08, the World Bank Group has committed US\$2.9 million through its own budget processes and US\$1.1 million through DGF. The level of Bank Group contribution for FY08 is US\$0.7 million, of which US\$0.2 million is from the IFC. In general these figures probably understate substantially the Bank Group budgetary contribution for EITI since they do not include considerable amounts of time spent by Country Team staff on EITI-related work, or of travel for EITI shared with other program work. Per the MDTF Administration Agreement, staff costs, which include labor, travel, media and workshop, and associated overhead costs, charged to the MDTF should not exceed 10 percent of total MDTF contributions. As of March 31, 2008, total staff costs charged to the MDTF

<sup>2</sup> Until a Grant Agreement is signed with a government, activities in that country are presented as Bank-executed.

<sup>3</sup> Funds are regarded as 'technically' disbursed from the MDTF as soon as the Grant Agreement is signed; however, funds are only 'physically' disbursed from the Bank's trust fund accounting system upon approval of withdrawal applications from the recipient.

reached 7 percent of contributions. Although with recent additional contributions to the MDTF, staff costs are not expected to reach/exceed the 10 percent limit very soon, the rapid growth in work load and costs on the Bank means this remains an area that will be closely monitored with reversion to Management Committee members as necessary.

21. ***Principle of Additional MDTF Support.*** As shown in the Table 1 above for recipient-executed grants, some grant recipients have already or will begin to exhaust MDTF grants/complete their Grant Agreements in the coming months. Nigeria is the first country to complete a Grant Agreement program and the Management Committee will need to discuss the principle of possible “phase II” support (i.e., a second Grant Agreement). Similarly Ghana and Mauritania have also indicated that additional support from the MDTF in FY09 is likely to be requested. Other countries may also request additional support in FY09 depending on implementation progress and results.

#### **IV. COLLABORATION WITH OTHER AGENCIES AND OUTREACH**

22. ***Collaboration with EITI Secretariat.*** At its February 2008 meeting, the EITI Board agreed to the MOU defining the relationship between the MDTF Management Committee and the EITI Board/Secretariat. The MOU is now in the process of being signed by all parties. The EITI Secretariat was officially launched in September 2007. Based in Oslo and accountable to the EITI Board, the Secretariat is responsible for coordination of EITI implementation efforts internationally, acting as a resource center, managing global outreach and advocacy, communicating and sharing lessons learned with stakeholders, and overseeing the validation process. The Secretariat also organizes (together with host governments) the biannual EITI Conference. An important role of the Secretariat is to support countries’ EITI implementation efforts and, to this end, collaboration between the Secretariat and the World Bank has been extremely close and complementary from the start. In particular, the EITI Secretariat and Bank worked together to support potential EITI candidate countries to reach this goal. A member of the Bank EITI team also spent a week at the Secretariat in Oslo to ensure a smooth transfer of the EITI web site to the Secretariat. Members of the Secretariat also participate in outreach events organized by the Bank and vice versa.

23. ***Collaboration with Other Agencies.*** AfDB, AsDB, and EIB have now endorsed EITI, and the World Bank is committed to working closely with them and others to coordinate support to various EITI stakeholders, ensuring that assistance is complementary and not duplicative or contradictory. To this end, the World Bank EITI Team held a training session for AfDB colleagues (at their request) in May 2007 and is coordinating closely with AfDB in EITI implementing countries. For instance, a World Bank-AfDB funded consultant began work to help Central African Republic with EITI in January 2008, and AfDB took the lead in funding the EITI launch workshop in April 2008. In Madagascar and Botswana, AfDB is co-funding with the World Bank EITI preparatory activities (workshops, etc.), and will likely complement MDTF support to Madagascar (under preparation). The World Bank and AfDB also collaborated closely on participation in Ghana’s National Oil Forum in February 2008. In Papua New Guinea, AsDB, working closely with the World Bank, is leading support to the country as it contemplates EITI implementation. EIB will be an important partner in working with industry.

24. ***Civil Society Liaison.*** The World Bank is strengthening linkages to civil society, notably through the program of World Bank DGF support. RWI, which received DGF funds over FY06-07, sub-granted US\$516,944 to 11 civil society organizations involved in EITI implementation in eight Sub-Saharan African countries. Seven of these achieved EITI candidate country status as a direct result of the DGF support, which helped ensure free and meaningful participation of civil society in EITI implementation at the country level. The activities of sub-grantees highlighted the importance of experience-sharing and knowledge transfer and several project partners have begun to mentor other national coalitions as a direct result of the program. More details of this program are available in the separate background document provided for the May 28, 2008 Management Committee meeting.

25. **Global/Regional Learning Events.** Over the reporting period, the MDTF supported several global and regional knowledge and learning events organized by the Bank and aimed at cross-country sharing of experiences. This included seminars in Gabon in June 2007 and April 2008—the first related to capacity building for civil society in regard to EITI in Central, West, and Indian Ocean African countries and the second for West and Central African government and industry officials on negotiation and implementation of oil, gas, and mining contracts, including transparency. Back-to-back events were held in Thailand in October 2007 for practitioners and donor officials to learn about EITI and discuss a strategy for its further promotion in the East Asia Pacific region. A workshop on EITI reconciliation, with representatives of audit firms contracted to prepare EITI reports, took place in France in April 2008 to exchange on-the-ground experience to date and learn lessons for smoothing this key process going forward. In April 2008, the Bank launched the publication, *Implementing the Extractive Industries Transparency Initiative: Applying Early Lessons from the Field*. Drafts of this publication and complementary publications, *EITI Business Guide: How Companies Can Support Implementation*, prepared by the EITI Secretariat, and *Eye on EITI*, sharing civil society perspectives and sponsored by Publish What You Pay and RWI, were shared in Ghana in February 2008 on the occasion of the EITI Board meeting and Ghana’s National Oil Forum. The latter featured discussion of EITI, and Bank support to the Forum included some MDTF funding. Box 1 provides a brief summary of the outreach events.

**Box 1. MDTF-supported Global and Regional EITI Learning Events (June 2007 - April 2008)**

***Seminar on the Negotiation and Implementation of Oil, Gas, and Mining Contracts - April 27-30, 2008, Libreville, Gabon.*** This seminar brought together participants from 13 African countries, including high-ranking government and petroleum industry officials to facilitate cross-country learning and cooperation and reinforce capacities of participating nations in the management of exploration and production of their natural resources. The seminar provided participants an opportunity to share experiences and know-how in assigning, monitoring, and implementing oil and gas contracts and to examine linkages between the management of revenues from extractive industries and sustainable development. Notably, a high-level official from Sonangol gave a well-received presentation at the event.

***Launch of ‘Implementing the Extractive Industries Transparency Initiative: Applying Early Lessons from the Field’- April 2, 2008, Washington, DC.*** This publication distills lessons learned to date from countries implementing EITI. The objective is to provide practical guidance to stakeholders and stimulate further discussion on EITI implementation choices among government policymakers, civil society groups, oil, gas, and mining companies, donor agencies and other stakeholders involved in EITI. The launch event was well attended.

***Workshop on EITI Auditing and Reconciliation - April 1, 2008, Paris, France.*** This workshop brought together audit/reconciliation firms that produced country-level EITI reports. Participants discussed recurrent issues that arise when performing EITI reconciliation work. Key recommendations from the event included: manage upfront the expectations of the results of the EITI reconciliation among various stakeholders; have the EITI Secretariat provide guidance on terms of reference (ToR) for EITI reconciliation with MDTF money available for in-country capacity building for ToR development; have longer-term contracts (e.g., three years) for reconcilers to increase coherence of the process; ensure that data provided to reconcilers is audited and that the EITI reconciler has access to the data.

***Knowledge-sharing Event for Donors Supporting Countries Implementing EITI and Developing a Donor Strategy for Promoting EITI in the East Asia Pacific Region - October 2-3, 2007, Bangkok, Thailand.*** The objective of these two events was to promote awareness of EITI among donors in the region and strategize on coordination of efforts to increase support to EITI implementing countries or future EITI countries in the region. The first event included practitioners from bilateral and multilateral development agencies to introduce them to EITI, providing country case studies and discussing how donors can support EITI. The second event involved mid- to senior-level donor representatives to identify countries in the region that could be EITI candidates, brainstorm on approaches to promoting EITI among governments, industry, and civil society in such countries, and identify donors interested in supporting this agenda.

***Seminar for Reinforcement of Capacities of Civil Society of Central, West, and the Indian Ocean African Countries for EITI - June 25-27, 2007, Libreville, Gabon.*** Participants from 16 countries took part in this seminar whose main objectives included teaching essential technical and economic concepts behind the petroleum industry, explaining the scope, principles, and mechanisms of EITI implementation, and sharing experiences among civil society representatives from EITI implementing countries. Key topics discussed included petroleum production sharing contracts, the role of the independent EITI administrator/reconciler, and difficulties in mobilizing civil society in some African countries. A key conclusion by participants was that EITI has progressed more in countries where the engagement and political good-will of the government are solid and consistent. Participants favored additional support for training civil society representatives; assistance from EITI internationally to ensure safety of civil society representatives; improved transparency of oil contracts; and disaggregation of data in EITI reports.

## V. ITEMS FOR DECISION BY THE MANAGEMENT COMMITTEE

26. *Issues for Decision/Confirmation.* In addition to consideration of the proposed FY09-10 MDTF work program and financial report, several country-specific issues for decision or confirmation by the MDTF Management Committee are highlighted below:

- **Angola.** In follow-up to discussions in Luanda after the May 2006 petroleum revenue management workshops with government and civil society, supported in part by the MDTF, the idea of establishing a publicly-accessible Petroleum Information Center (PIC) at the Law Faculty of Augustinho Neto University (FDUAN) was discussed and agreed with government and FDUAN.<sup>4</sup> The PIC would be a focal point for dissemination of information, studies, workshops, seminars, and related activities on issues in the petroleum and mining sector. The proposed budget for the PIC and related capacity-building workshops/seminars is US\$355,500 for the period 2008-2010, of which US\$100,000 would be financed by the Petroleum Governance Initiative Trust Fund, US\$60,000 by FDUAN, and US\$195,500 by the MDTF. At its November 2007 meeting, the Management Committee approved a work program for Angola in the amount of US\$164,000; thus, an additional US\$91,000 is requested to fund this activity, which would be implemented via a recipient-executed Grant Agreement.
- **Democratic Republic of Congo (DRC).** Background information on this item, regarding a request for an additional US\$400,000 from the MDTF to support EITI implementation in DRC, was shared with the Management Committee via email in early April 2008. The additional US\$400,000 requested would be added to the original authorization of US\$400,000, bringing the total proposed Grant Agreement to US\$800,000. The funds would support implementation of DRC's EITI 2008-2009 work program, costed at US\$1.1 million, US\$300,000 of which would be funded by government on the same terms and conditions as the MDTF Grant Agreement. It is likely that additional funds (either from the MDTF or other donors) would be needed in FY09 to prepare audits/reconciliation of data. Supervision of the Grant Agreement would be in the context of the existing good collaboration with other donors (principally, the United Kingdom, Germany, Belgium, France, and Canada).
- **Indonesia.** Indonesia continues to move progressively toward adoption of EITI and may make an announcement in the near future. If this eventuates, MDTF funds are likely to be needed to support the establishment of a multi-stakeholder working group and secretariat and development of an EITI work plan. Given the scale and complexity of the Indonesian extractive industries sector, it is anticipated that a Grant Agreement on the order of US\$2 million for the first 12-24 months of implementation may be warranted. Although civil society groups are well organized, additional support will be required for capacity building and coordination of their input. In addition to the Grant Agreement, it would be advisable to provide the local secretariat with external consultancy assistance until its operations are securely established. The cost of this consultancy for 12 months is approximately US\$200,000 (a consultant is already on the ground facilitating discussions).
- **Nigeria.** The Nigeria EITI program (NEITI Secretariat) received a grant of US\$2.2 million from the MDTF in February 2006, which closed in March 2008. This grant helped to make the NEITI Secretariat operational and supported a first wave of outreach and training activities. In its start-up phase, NEITI was also supported by DFID (largely financing the operating costs, including salaries, of the NEITI Secretariat), and the federal budget, which provided funds for audits. The Implementation Completion Report for the MDTF grant (which is part of a separate discussion in the Management Committee meeting agenda) notes a positive impact from the programmatic effort supported by the grant and that, together with funding from DFID (and government funding for audits), it was instrumental in helping

---

<sup>4</sup> FDUAN was chosen because BP has established a petroleum LLM program there. It should be noted that the Government of Angola, a self-stated "observer" to EITI, publishes detailed data on petroleum receipts and production on the Ministry of Finance's [web site](#).

NEITI to be established. The issue now facing the Bank and MDTF regards the principle of continued support for Nigeria to consolidate NEITI and, in particular to support a clear process of implementing remedial actions recommended in the EITI reports, both in the area of fiscal flows and oil physical process. The underpinnings for continued gains are in place: firm national political commitment; legal underpinning for NETI; a clear NEITI strategy; and good capacity to implement that strategy. The Bank is of the view that MDTF donors have an opportunity to help consolidate NEITI accomplishments and thus help Nigeria (and donors) to optimize the return on their investment to date by supporting a clear program of NEITI implementation follow-up and expansion into mining. The separate background paper provided on this topic gives additional detail.

- **Yemen.** A Grant Agreement in the amount of US\$350,000 versus a projected US\$280,000 was signed in April 2008. The amount appropriately reflects the size and scope of Yemen's EITI work plan.

27. **Counterpart Funds Update.** Background information on the inappropriate use of approximately US\$7,000 under the MDTF Grant Agreement to Guinea was provided to Management Committee members via email in early April 2008. The Guinean authorities have indicated that the ineligible expenditures charged to the MDTF Special Account will be reimbursed before end-June 2008.

## VI. OTHER ISSUES FOR DISCUSSION

28. **Issues Going Forward.** There are several issues for discussion by the Management Committee that will be of strategic focus going forward:

- **Collaboration with other Multilateral Development Banks.** As mentioned above, AfDB, AsDB, and EIB have now endorsed EITI, and the World Bank is committed to working closely with them to coordinate efforts in regard to EITI. Particularly in Africa where the bulk of EITI work is concentrated, coordination and division of labor with AfDB began in earnest in FY08, and examples of joint work and division of labor already underway are discussed above. Similar collaboration with AsDB in the East Asia Pacific region is expected in follow-up to the Bangkok outreach event and as EITI gains more traction in the region. EIB is a particularly important partner in working with industry—EIB will also support the EITI Secretariat.
- **Results Monitoring and Evaluation Framework, Mid-term Evaluation.** The results and monitoring and evaluation framework developed by the Bank EITI Team is an important tool to track EITI's impact at the country level. Such frameworks have been completed for Cameroon, Mauritania, and Nigeria. These are included among the background documentation for the Management Committee meeting and comments from members are welcome. Going forward, the Bank EITI Team will complete results frameworks first and foremost for candidate countries that have produced at least one EITI report. In conjunction with the evaluation of the EITI DGF program (required by DGF) an independent evaluation of wider Bank support to EITI implementation, including via the MDTF, will be undertaken and completed in FY09. Draft terms of reference for this evaluation are provided in the background materials for the Management Committee meeting for review and comment by members.
- **Validation.** The EITI Board/Secretariat finalized the approved list of EITI validators and the Board agreed at its February 2008 meeting on the procurement process for validators. As such, validation of candidate countries should be completed within two years of the issuance by the EITI Secretariat of the guidance note on procuring a validator.<sup>5</sup> While there is agreement among donors that candidate countries should bear the cost of validation, it is not inconceivable that some countries may approach the MDTF

---

<sup>5</sup> See minutes of 4<sup>th</sup> EITI Board meeting. The minutes also note the Board's agreement that, after the first validation, revalidations could take place up to every five years but that stakeholders in the process should be allowed to call for validation at any time they think the process needs reviewing (this request could be mediated by the Board if necessary).

for financial assistance with validation. Regardless, many countries will need substantial support in run-up to validation—either because they have not yet completed all 18 steps associated with the validation exercise (e.g., several candidate countries have not yet produced an EITI report) or due to other constraints (e.g., capacity to procure the validator). In other cases, countries have expressed the desire to undertake their own validation exercise first, to ensure that all of the necessary steps have been covered, which may delay the process. The Bank EITI Team will continue to work closely with candidate countries and the EITI Secretariat to ensure that countries reach compliant status in the time allotted.

- MDTF Strategic Directions.** As presented at the November 2007 Management Committee meeting, there are several possible pathways for the MDTF going forward. This includes extending EITI by having additional countries adhere to it (e.g., key countries such as Angola, Indonesia, etc.); balancing wider with deeper implementation (quantity and quality) via, for instance, extra effort on slow-moving or low-capacity/post-conflict countries and a focus on technical assistance to improve quality of EITI reporting, disclosure and dissemination, and follow-up on EITI report findings; and phase II MDTF support to solidify EITI gains (e.g., Nigeria). In addition, mainstreaming EITI in country systems and eventually phasing out MDTF support remains a relevant.
- Beyond EITI.** Against the backdrop of high commodity prices, new hydrocarbon and mineral discoveries, and strong private sector interest, many resource-rich countries committed to good governance and transparency are increasingly aware of the need to take a comprehensive approach to harnessing opportunities from their extractive industries. Broadening the focus of EITI’s revenue transparency agenda, the World Bank President announced the “EITI++” approach during the World Bank/IMF Spring Meetings in April 2008. The so-called “EITI++” takes a more holistic, integrated approach to managing extractive industry resources. The approach covers the entire extractive industries value chain (see Figure 1) from award of contracts and licenses, to regulation and monitoring of operations, to collection of taxes and royalties, to revenue management and distribution, to expenditure on sustainable projects and programs for growth and development. The approach seeks to support committed governments in implementing good policy and practice throughout the whole process of natural resource utilization. The key is to strengthen individual links of the value chain while also ensuring a more integrated approach among the links, with the aim of maximizing the development impact of extractive industries. Within the World Bank and more widely, modalities to support implementation of this approach are still under discussion. Discussion of the “EITI++” approach is on the agenda of the Management Committee meeting.

**Figure 1. Extractive Industries Value Chain**

