

**EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)
IMPLEMENTATION SUPPORT FACILITY**

PROGRESS REPORT as of September 30, 2009

UPDATE TO THE MANAGEMENT COMMITTEE

Baku, Azerbaijan – October 15-16, 2009

A. INTRODUCTION

1. The five months since the last MC meeting in Washington in May 2009 have been quite eventful. At the meeting in Washington, 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 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 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 the donors.

2. After the informal MC meeting in Doha in February 2009, validation became the top priority for all stakeholders involved in EITI. (See *Tab 2 Validation Action Plan Update* for further information.) 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 and the EITI-related events leading up to the Board and MC meetings in Washington, DC, in May 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 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 is now beginning to receive heightened technical assistance and outreach effort, including support from the donors, which will be discussed in more detail during the Fiduciary meeting, including the proposed donor-funded staff based in select country offices, and proposed staff secondment by BMZ.

B. COUNTRY STATUS IN CONTEXT OF WORK PLAN

4. **Work Program.** The updated Facility work program for FY10-11 calls for a total budget of US\$26.7 million, which includes US\$15.2 million for country-level work, US\$4.8 million for global learning and knowledge support, and US\$6.7 million for recipient-executed activities via Grant Agreements. The updated FY10-11 work program covers 50 countries as of September 2009, versus 46 countries as of September 2008. (See *Tab 3 Work Plan Summary and Updates*, and *Tab 3a Explanatory Notes* for details.)

5. **Portfolio Status.** There is no change in the number of EITI Compliant and Candidate countries (30) since the last EITI Board meeting in May 2009, although Ethiopia's candidacy is

currently with the EITI Board. As of September 2009, Azerbaijan remains the only validated country. Liberia's Validation Report is with the EITI Board for approval, with a few other countries (Nigeria, Timor-Leste, Kazakhstan, Mongolia, Ghana) advanced in the process (i.e., have selected validators or are close to doing so). However, more and more EITI countries are beginning to issue their first EITI Report and hence are getting closer to Validation. So far, 15 countries have issued at least one EITI Report (Mali and Niger in draft), while many others are set to issue the first EITI Report soon. Another nine countries have endorsed EITI, some of which are making progress towards Candidate status. Another 11 countries are in dialogue/considering EITI implementation. (See *Tab 4 Country Portfolio Summary* for details.)

6. **Country-level Grants.** Five grants have completed and closed—Cameroon, Kazakhstan, Liberia Phase I, Mauritania, and Nigeria Phase I. There are 15 currently active grant agreements—Central African Republic, Côte d'Ivoire, Equatorial Guinea, Ghana, Guinea, Kyrgyz Republic, Madagascar, Mali, Mongolia Phase I, Niger, Peru, Sao Tome & Principe, Sierra Leone, Timor-Leste, and Yemen—for a total value of US\$4.6 million, of which US\$1.0 million had been spent by recipients as of September 2009. Grant Agreements with 12 new/upcoming Candidate countries are being processed—Afghanistan, Albania, Burkina Faso, Colombia, Democratic Republic of Congo, Ethiopia, Indonesia, Iraq, Mozambique, Papua New Guinea, Tanzania and Zambia.

7. For **Angola**, interest in promoting transparency and good governance remains a priority for the World Bank and, in spite of delays, support for this agenda via the EITI Facility is moving forward. The law faculty of the Agostinho Neto University (FDUAN) has taken upon itself, with the partial support of Chevron, to establish the Petroleum Information Center (PIC), which will serve as a central source of information on extractive industries for Angolan civil society and other interested parties. If approved by Facility donors, the World Bank, using the PIC and other institutions, will deliver (via a Bank-executed grant) a program of activities in line with the EITI agenda, including EI-related capacity-building workshops in Luanda and other locations around the country, knowledge and exchanges of experience between EI-focused academic institutions in Angola and abroad, and at least two EI-related studies, which could also be subject to future workshops. The grant will also support the PIC to complete its collection of EI sector books and periodicals. The Bank team will hold a decision meeting to review the revised proposal in early November 2009, and report to the donors thereafter.

8. EITI implementation in **Iraq** continues to make progress. During August 2009, the WB team and the EITI Secretariat Oslo hosted the EITI National Coordinator (who is also Deputy Inspector General in the Iraq Ministry of Oil) to advance the EITI preparations for Iraqi Candidacy. This is to be followed up by an intensive working session with the Iraq EITI Coordinator by the WB team, to be held in Beirut (but also including staff from the small WB office in Baghdad). The mission's goals are to finalize the concept note for EITI Iraq (which sets out the approach for EITI in Iraq (given the unique structure of the oil sector in Iraq, where all oil issues from production to exports to domestic use are handled by the Ministry of Oil) in order to achieve full internal buy-in and enable inputs by EITI Secretariat and others. In addition, the work plan and all the draft documentation needed to make the candidacy application will be planned to be completed in draft so that further translation and circulation amongst/discussion with key stakeholders in Iraq can occur, including (perhaps an interim) Multi-Stakeholder Group (MSG) to be created including local CSOs. Finally, it is an aim to get a clear understanding of the EITI capacity needs among stakeholders and civil society so that a program can be developed. The current plan is for an Iraq EITI launch workshop held in Baghdad by the end of 2009 to allow Iraq to submit its candidacy application.

9. Phase II support for Liberia, Mongolia and Nigeria has been approved by the MC and grant agreements are being prepared. For **Nigeria**, as shown in the more detailed Nigeria section on “political economy considerations” part of the MC meeting materials, the Nigeria Phase II grant approved last year at US\$1.8 million is being refined in a way that the Phase II grant is being signed for an amount of US\$0.9 million for the initial work program which concentrates on support for key NEITI Secretariat goals aimed primarily at consolidating and strengthening the Secretariat functions in managing the NEITI process by (i) strengthening the technical capacity of NEITI Secretariat; (ii) assessing the options for expanding EITI for mining; (iii) additional work on communications and engaging with CSO groups and stakeholders, especially of the recently issued 2005 Audit Report findings and of the Validation findings (when completed); and (iv) ongoing early planning work on remediation of the key sector deficiencies identified in NEITI audit reports. The remaining US\$0.9 million, focused on remediation issues, will be retained for Nigeria in the Facility work plan for a potential Phase III program of activities, giving time for the wider Petroleum Industry Bill and oil sector reforms to be concluded, and for resultant institutional arrangements and legal mandates to become clearer.

10. The Bank will soon also receive a proposal for Phase II grant for Cameroon, which will be shared with the Management Committee, as well as Phase II support for Ghana (the current grant terminates in December and the next phase of support will focus on oil).

11. **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 30 EITI Candidate countries (of which one Compliant-Azerbaijan).¹ Fifteen 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. (See *Tab 5 Country Status Report* for details.)

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

- West Central Africa Seminar on Validation, June 3-5, 2009, in Douala (*Tab 11*)
- Final knowledge report: “COCPO Engagement with Civil Society: An EITI Implementation Case Study” (*Tab 12*)
- Proposed CSO engagement consultant activity (*Tab 8*)
- Final knowledge report: “Strengthening EITI Reporting” (*Tab 12*)
- EITI/Facility presentation at EC Anti-Corruption Seminar in Brussels, June 2009.
- Planned East Asia outreach event (Jakarta, December 2009 or early 2010). The EITI Secretariat Oslo and other partners are planning a major outreach event in the East Asia region for later in the year, designed to support the Indonesia effort on EITI and high-level (as well as technical-level) discussions on the potential for EITI for many countries in the region. The WB team will play its part in this event and the Facility TF has committed a contribution to the costs of that event (see global learning part of Facility work plan).

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 (September, 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
<i>Azerbaijan</i>	10	<i>End of 2009</i>	Mali	Report underway	Last Quarter 2009
Cameroon	2	End of 2009	Niger	Awaiting approval	
Ghana	3		Yemen	Effectively no progress	
Guinea	1	(funding constraints)	DR Congo	TORs ready; funding secured; data collection underway	End of 2009
Kyrgyz Republic	2		Equatorial Guinea	TORs ready; data collection to start soon	End of 2009
Mauritania	2	(process stalled)	Madagascar	Process stalled	
Nigeria	2		Sao Tome e Principe	Process not yet started (JDZ - to do with Nigeria)	
Kazakhstan	2		Sierra Leone	Report underway	Second half 2009
Liberia	1	End of 2009			
Mongolia	1	End of 2009	Côte d'Ivoire	Report underway	Oct/Nov 2009
Gabon	3	End of 2009	Timor-Leste	Report underway	Second half 2009
CAR	1	Early 2010	Tanzania		
Rep of Congo	1		Norway		
Peru	1				
Mali	(draft)				
Niger	(draft)				

C. KEY FIDUCIARY DATA

13. **Donor Support.** As of September 2009, a total of \$27.8 million had been pledged to the EITI Trust Fund Facility by 13 donors, including an additional contribution from Canada of CAD 1.5 million and an anticipated new contribution of US\$1.5 million from Switzerland. On September 21, 2009, The United States of America became the twelfth official donor to EITI Trust Fund Facility, with a total contribution of US\$6.0 million. From inception through September 2009, the World Bank Group has committed US\$5.2 million through its own budget processes and US\$1.1 million through the Development Grant Facility (DGF), now closed to new grants. (See *Tab 7 Financial Report*, and *Tab 7a Sources and Uses of Funds* for details.)

D. LAST MEETING COMMITMENTS

14. **MC Commitments at Washington Meeting.** At the meeting in Washington in May 2009, MC members discussed progress made on addressing the following issues: 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.

15. **Political dimensions.** The Country Status Report continues to contain, as an attachment, additional one-page analysis of issues in selected countries, which have been updated for the Baku meeting. (See *Tab 10 Political Economy Considerations* for details.)

16. **Evaluation report findings and follow-up.** Preliminary findings and recommendations from the evaluation report were circulated and discussed at the meeting in Washington. The MC agreed to postpone further discussion until the meeting in Baku. (See *Tab 6 MDTF Evaluation Follow-Up*, and *Tab 6a Presentation from May Meeting* for details.)

17. **Scaling up in EAP and LAC; additional support for AFR.** The MC agreed to pursue further activities in these regions through strengthened field staffing for EITI validation support and implementation TA efforts. As part of the effort to strengthen the WB/Facility efforts in the field on both validation support as well as for implementation of technical assistance (for EITI countries still early in the EITI cycle), plans are on track to soon begin CV review/selection process for internationally-hired “extended term consultants” (positions of up to two years) to be based in WB offices in the field. As mentioned in email correspondence with the donors over the summer of 2009, these positions are currently planned to be for West Africa (based in Burkina Faso); East/Southern Africa (based in Tanzania); and East Asia (based in Papua New Guinea). Also, a specific field-based consultant arrangement (albeit on a short-term consultant basis) for Lima, Peru is being finalized to help with EITI Peru follow-up and regional outreach to new countries.

18. In addition, in this respect, Germany (BMZ) has been actively pursuing secondment of staff member(s) for a period to support the Latin American EITI and/or East Asia EITI scale-up plans, by basing such seconded staff in WB offices in Lima and/or Jakarta, to help deepen the EITI work in Peru (and in potential nearby countries) and similarly support the Indonesian EITI work and help with outreach work in other countries in the East Asia region.

19. Improving knowledge of EITI donors staff, including in the embassies. This process has begun, with TTL Craig Andrews organizing a local donor group in DR. Also, at the last MC meeting, MC members, especially the EC and Belgium, had agreed to sponsor an event in Brussels to bring together country-based donor representatives to explain EITI to them and gain their support. This should be discussed by the MC to see if this is still a priority and what would be suggested dates/location.

20. **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 held a second meeting on May 13 to fine-tune the findings and recommendations of the participants. The final report from this process “Strengthening EITI Reporting” was issued to EITI Secretariat Oslo and all stakeholders in August 2009 – see full report in binder.

21. **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 Update” provided in the binder for further details.

22. **Outreach to new countries – Bulgaria.** The World Bank undertook a mission to Sofia, Bulgaria in April 2009 to discuss the preliminaries of possible adoption of EITI methodology for gas sector issues, including transit revenues (but also other aspects of public disclosure and monitoring of gas purchase and sale contracts and related fiscal revenues). The work also was followed by a visit to Bulgaria by Mr. Peter Eigen and the EITI Secretariat Oslo staff.

23. The preliminary finding of this work revealed a definite interest on the part of the gas sector policymakers on the usefulness of EITI principles and the need for more transparency in gas commercial transactions (in the context of wider gas sector issues including security of supply and gas storage infrastructure issues). Since then, the government has again requested targeted support on EITI. Although not a primary producer, the transit issues and the nature of the request for support are such that the WB has planned for a follow-up visit to Bulgaria (in October 2009) in order to have focused discussions on the country's expectations for EITI and design an outline scope of what an EITI program for Bulgaria might look like (including the tailored EITI reporting templates for transit revenues involved, and the overall cost of such a program) in the context of Bulgaria's plans for gas sector reforms and governance.

24. The revised Facility work program accordingly includes \$50,000 for the costs of this initial scoping work (mainly consultant costs). However, regarding whether to go beyond this, the Bank seeks input and guidance from MC members on whether Bulgaria is a priority for additional trust-funded technical assistance work going forward if needed, including potentially a grant to help Bulgaria implement EITI.

25. **WBG budget issues.** At the Management Committee meeting in Washington, donors agreed to increase the cap on WBG staff time and travel charges from 10% to 15%, and this change has been reflected in the Amended Administration Agreements to be signed by all current donors.

E. LOOKING AHEAD

26. In view of the validation deadlines established by the EITI Board (early 2010 in most cases), the two key priorities and challenges the WB's 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).

27. 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. Included in this is the need for improved CSO capacity for engagement on EITI matters (see proposal from Paulo de Sa, for discussion and approval).

28. 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 the Facility operate in the period ahead, with the much-appreciated support of Management Committee members and donors and partners.