EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)
MULTI-DONOR TRUST FUND
(IMPLEMENTATION SUPPORT FACILITY)

PROGRESS REPORT

UPDATE TO THE MANAGEMENT COMMITTEE
Berlin, Germany – April 13, 2010

A. INTRODUCTION

1. The six months since the last formal MC meeting in Baku in October 2009 have been quite eventful. In this period, the WBG team worked at a very intensive pace on validation and in supporting countries to prepare for and complete validation, including proactive efforts to keep all stakeholders informed so that validation deadlines could be met. The results of this proactive effort by EITI countries—supported by WBG and the MDTF/Facility as well by bilateral donors in many cases—is now visible in terms of the substantial progress by many countries to complete validation (or having validation underway) in recent weeks.

2. Following the Board meeting in Doha in February 2009, validation became the top priority for all stakeholders involved in EITI. Since the meetings in Washington, Baku and Oslo, the EITI Secretariat, the World Bank and the MC have worked together to build on the momentum of the Global Conference and identify priority countries and regions for focused implementation and validation support.

3. At the meeting in Baku, then the informal meeting in Oslo in February 2010, MDTF/Facility donors have also kept validation under close focus, having discussed the increased focus on support to countries ready for validation, working in close concert with the EITI Secretariat Oslo. Yet, besides validation, the MDTF/Facility work program also continues to include: (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.

4. The March 9, 2010 deadline for EITI Validation was the end for the first batch of EITI implementing countries of the two year period as EITI Candidates. Because of the deadline, the Board and Secretariat saw an extraordinary amount of activity taking place. Validation has provided a catalyst for rapid implementation, for critical analysis of the effectiveness of the EITI and improves priority setting for strengthening of the EITI. At the same time, it is clear that some countries will need a little extra time. Indeed, the debate continues within the Board and other stakeholders on the appropriateness of the two-year timeline for new candidate countries, given the goal of a nationally-owned, high-quality, sustainable EITI process. In addition, many countries that may now become Compliant are still only at the beginning of the road towards adequate governance, with for example the quality of the EITI reports and the extent to which civil society is consulted requiring sustained attention and improvement. These topics will need broader discussion with global EITI stakeholders.

5. Going forward, the Bank, with support from the donors, will continue to support EITI implementation in all its dimensions—with extra efforts in the countries that receive deadline extensions, as well as post-validation solidification of EITI through improved reporting and

systematic participation of civil society in the EITI process. The donors have also agreed to scale up assistance in some countries. This scaled up effort is now beginning to receive heightened technical assistance and outreach effort, with support from the donors, including Extended Term Consultants based in select country offices and staff secondment by BMZ Germany.

B. COUNTRY STATUS IN CONTEXT OF WORK PLAN

6. ***Validation and extension status.*** Given that 22 of the original EITI candidate countries have a validation deadline of March 9, 2010, the overall status is still somewhat fluid (since validation reports and extension requests are under review within EITI Board processes, and validation is still underway in some countries). The latest status is covered in more detail in EITI Board material for Berlin, hence not discussed in much detail in this Progress Report. **(See *Tab 2 Country Validation Status Indicators* for details.)**

7. ***Work Program***. The updated MDTF/Facility work program for FY10-12 calls for a total budget of US$30.6 million, which includes US$22.0 million for country-level work planned/in-progress (US$4.9 million for technical assistance by the Bank, US$8.8 million for grants not yet signed, US$1.0 million for CSO capacity building), as well as US$8.6 million for recipient-executed activities already disbursing through Grant Agreements. The updated FY10-12 work program covers 55 countries as of March 2010, versus 50 countries as of September 2009.

8. ***Portfolio Status***. At the last EITI Board meeting in Oslo in February 2010, Afghanistan and Iraq became the 31st and 32nd EITI candidate countries. As of March 2010, Azerbaijan and Liberia are the two validated countries, with many countries (Mongolia, Gabon, Timor-Leste, Kyrgyz Republic, Cameroon, Ghana and Nigeria) having submitted final of draft validation reports, while other countries are advanced in the process (i.e., validation now underway or are close to doing so). More and more EITI countries are beginning to issue their first EITI Report and hence are getting closer to Validation. So far, 23 countries have issued at least one EITI Report (including Azerbaijan and Liberia Compliant, and Norway OECD), while nine more are set to issue the first EITI Report soon. Another ten countries have endorsed EITI, some of which are making progress towards Candidate status. Another 14 countries are in dialogue/considering EITI implementation. **(See *Tab 3 Country Portfolio Summary Table* for details.)**

9. ***Country-level Grants***. Seven grants have completed and closed—Cameroon, Ghana Phase I, Kazakhstan, Liberia Phase I, Mauritania Phase I, Mongolia Phase I, and Nigeria Phase I. There are 18 currently signed/active grant agreements—Burkina Faso, Central African Republic, Côte d'Ivoire, Democratic Republic of Congo, Equatorial Guinea, Guinea (Bank operations suspended), Kyrgyz Republic, Liberia Phase II, Madagascar (Bank operations suspended), Mali, Mongolia Phase II, Niger, Nigeria Phase II, Peru, Sao Tome & Principe, Sierra Leone, Timor-Leste, and Yemen—for a total value of US$5.8 million, of which US$1.4 million had been spent by recipients as of December 31, 2009. Grant Agreements with eight countries are being processed—Albania, Cameroon Phase II, Iraq, Mauritania Phase II, Mozambique, Sierra Leone Phase II, Tanzania and Zambia, with two of these (Albania and Zambia) having being sent for signature.

10. ***Angola.*** The EITI work program presented to Management Committee at the meeting in Baku included Bank-executed support for ***Angola***. The support was to revolve around: (1) the Petroleum Information Center established by and at the Agostinho Neto University Law Faculty (FDUAN) through knowledge exchange programs with international academic institutions, workshops, and petroleum sector studies, and (2) workshops to be held by the EU Non-State

Actors Support Program (PAANE). A World Bank mission visited Angola in February 2010. In support of the Petroleum Information Center, 58 books on oil and gas sector were delivered. Discussions were held over the need for knowledge sharing programs with international institutions, and it was determined this is not a priority. Studies on extractive industry issues may be run through FDUAN, carried out by students and faculty in cooperation, and funded by the MDTF/Facility. The mission's investigation of further ways to effectively engage in governance/transparency issues revealed numerous tangential opportunities, but few where direct support would lead to immediately identifiable results. While health and education-based CSOs have a strong operational footprint in-country, no strong centers for direct support related to oil, gas or mining were identified. As such, innovative ways to achieve the objectives of the MDTF/Facility will be needed, and planning for this will continue within the World Bank, and through discussions with donors and stakeholders in Angola.

11. ***Afghanistan*** became the 31st Candidate country at the EITI Board meeting in Oslo in February 2010. The Government of Afghanistan had endorsed EITI by Cabinet decree in late 2009. Since then, an informal working group had been set up, a national coordinator mandated, and a work plan developed with advice from the World Bank and the Secretariat. The mining sector was poised to become a driver for Afghanistan's formal economy, expected to account for 50 percent of State income. The two challenges to implementation were the security situation and a lack of capacity. Some Board members questioned the country's ability to become compliant within two years, and whether civil society was in a position to play a relevant role, but the Board pledged to monitor the situation closely. Afghanistan will have until 9 February 2012 to become compliant.

12. ***Iraq*** was accepted as the 32nd EITI candidate country at the meeting in Oslo, with emphasis on the impressive government commitment to the process, the excellent preparations and the strong international community support through the informal 'Friends of Iraq EITI'. However, two important issues were noted: (1) since the oil and gas sector was 100% government owned in Iraq, the EITI would not cover its usual scope of tax and royalties, but oil and gas export sales in the first report, and incrementally include domestic sales, signature bonuses and other payments, and non-cash sales of oil and gas products; and (2) there was strong recognition for the need to build the capacity of all actors, particularly civil society, and that the Friends of Iraq EITI group had been coordinating on a number of next steps. The Board that this was an exceptional scope under EITI Iraq made necessary by the specific circumstances of the Iraqi oil and gas industry. Iraq will have until 9 February 2012 to become compliant.

13. ***Phase II support for Liberia, Mongolia and Nigeria*** has been approved by the MC and grant agreements have been signed with each. For ***Nigeria***, the Nigeria Phase II grant initially approved at US$1.8 million was refined in a way that the Phase II grant was 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 MDTF/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.

14. ***Detailed Country Status***. The detailed overview of EITI country-led activities formerly shown in the Country Status Report prepared by the WBG team is now shown by the regular Implementation Progress Reports prepared by the International EITI Secretariat with inputs by the WBG and MDTF/Facility. To avoid duplication, the WBG team will ensure all MDTF/Facility donors receive the latter Implementation Progress Report, and will focus instead on the detailed reports ("political economy considerations" in selected countries). Note that the WBG team's overview assessment, showing progress towards validation and the status of EITI reports issued by countries is succinctly shown in the country portfolio table. **(See *Tab 4 Political Economy Considerations—Equatorial Guinea, Sierra Leone, Sao Tome e Principe, Democratic Republic of Congo, Mozambique, Peru, and Angola* for details.)**

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

- In late October 2009, a World Bank team completed a scoping mission to **Bulgaria**, the purpose of which, at the request of the CEO of the Bulgarian Energy Holding EAD and the Ministry of Economy, Energy and Tourism, was to (i) explain the EITI process to the Bulgarian authorities and (ii) to clarify the extent to which a national EITI process in Bulgaria (which meets EITI Criteria and Principles) would address expectations. The mission aimed to help officials to assess options for an implementation pathway for EITI, given that incorporating gas transit revenues into EITI would be a first—and would need to begin by designing a reporting template for transit revenues. The Scoping Report, intended as policy inputs to International EITI Secretariat as a case study for gas transit issues, is included in the material for this meeting. ***(See Tab 10a)***
- In December 2009, a regional EITI seminar for **Latin America**, organized by Inwent in collaboration with the WB, the EITI Secretariat, RWI, OLADE and ARPEL was well attended and reached significant conclusions. More than 40 participants from eight Latin-American countries gathered in Lima to discuss transparency in the extractive sector. Representatives from governments, industry and civil society from Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Venezuela took stock of the transparency practices in their respective countries' extractive sectors. Concerns were expressed not just on the flow and use of revenues at the national level but in particular at sub-national level and in relation to National Oil Companies (NOCs). Olade highlighted the importance of providing useful data to the public who, in turn, can use this data in their analysis and debate about key issues such as energy sources. Repsol ratified the commitment of the companies in developing tools such as the EITI not only in the context of social responsible practices but as part of sound business practices. The regional coordinator of RWI emphasized the efforts made by several organizations of the civil society in monitoring the extractive sector in various countries in the region. Representatives from Peru and Colombia shared experiences indicating that sub-national work is becoming the most relevant transparency concern in this region. Participants reached three main conclusions. First, that progress in advancing transparency will likely show different paces in different countries. Second, that the EITI is a useful platform from which transparent practices could be strengthened and lastly, that each country in the region requires a different strategy in promoting greater transparency in the extractive sector. The next EITI candidate country in the region could be Chile... before Ecuador or Bolivia, which are facing complicated political processes. ***(See Tab 10b)***
- In January 2010, the government of **Iraq** expressed a firm commitment to implement the Extractive Industries Transparency Initiative (EITI) at a launch event held in Baghdad, organized with the support of the World Bank and other stakeholders. At the event, Prime Minister Nuri Kamal Al-Maliki spoke of the need to tackle corruption and promote a

culture of transparency. “Today, we announce that Iraq is joining the Transparency Initiative which is dealing with oil and gas, the most important resources of Iraq,” Al-Maliki said in his remarks. “Here, when we talk about how to cure ourselves from the phenomenon of corruption, we have to talk about transparency. Transparency is a culture; it can’t be achieved unless there is a culture in society which condemns the culture of crime, betrayal and the extension of the (one’s) hand to public money.” The event, attended by some 300 high-level representatives from the government, the diplomatic corps, industry, Iraqi civil society, the EITI International Secretariat, national and international oil companies, non-governmental organizations and multilateral institutions, consolidated Iraqi's efforts to becoming a full-fledged EITI candidate-country. Based on the commitment expressed at this event, Iraq was accepted as the 32nd Candidate Country at the EITI Board meeting in Oslo in February 2010. ***(See Tab 10c)***

- In February 2010, the World Bank Office in Sana’a, **Yemen**, conducted a workshop with members of the civil society coalition working on the EITI. The purpose of the event was to take stock of the progress made by YEITI since the October 2009 civil society event jointly organized by the World Bank and Revenue Watch Institute and to agree on the next steps. The workshop was chaired by the YEITI Board Chairman and attended by over 16 members of various civil society organizations, as well as Paulo de Sa and the World Bank Task Team Leader for Yemen. ***(See Tab 10d)***
- The EITI Secretariat Oslo and other partners hosted a major outreach event in the **East Asia** in Jakarta, March 2010, 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. In attendance at the Seminar were distinguished government, industry and civil society representatives from ten Asia Pacific nations in varying stages of engagement with the EITI: Afghanistan, Australia, Cambodia, Indonesia, Mongolia, Papua New Guinea, Philippines, Myanmar, Timor-Leste and Vietnam. Over a four day period, presentations were delivered by Sefton Darby and others on subjects including, but not limited to: benefits of the EITI for implementing states; steps toward EITI candidacy; the multi-stakeholder process; the reporting process; in-country institutional arrangements; international support for the EITI; turning the EITI into results. Presentations were also delivered by representatives of the two-furthest advanced EITI states in the Asia-Pacific, Mongolia and Timor-Leste. The Seminar was a success, in that it helped develop a strong sense of regional solidarity amongst EITI-engaged states in the Asia Pacific. Mongolia and Timor-Leste seem destined to go from strength to strength with their EITI programs. New EITI Candidate Afghanistan showed seriousness. Current and future oil and gas producing giants Indonesia and Papua New Guinea showed promise. ***(See Tab 10e)***

C. KEY FIDUCIARY DATA

16. ***Donor Support***. As of December 31, 2009, a total of **$30.8 million** had been pledged to the EITI Trust Fund Facility by 13 donors. On January 14, 2010, Switzerland became the 13th official donor to the EITI Trust Fund Facility, with a total contribution of US$1.5 million. From inception through December 2009, the World Bank Group has disbursed 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 (actual disbursements data to be updated, as of March 31, 2010 after

April 15, 2010). **(See *Tab 6 Financial Report* and *Tab 7 Sources and Uses of Funds + MDTF Work Plan* for details.)**

D. LAST MC MEETING COMMITMENTS

17. ***MC Commitments at Informal meeting in Oslo.*** At the informal meeting in Oslo in February 2010, MC members discussed progress made on addressing the following issues: the March 2010 validation deadline; consequences for MDTF/Facility of Board decisions on suspension/de-listing/extension for countries not making the validation deadline; MDTF evaluation report; detailed country discussions; and update on proposal for "Support for CSO Engagement on EITI Issues."

E. WBG STAFFING AND MDTF/FACILITY DONOR OPERATIONAL COLLABORATION

18. The team in the WBG Oil Gas and Mining Policy Division (COCPO), that manages the MDTF/Facility and delivers the MDTF/Facility country TA and global support work program, continues to emphasize mix of Washington-based oil, gas and mining specialists and on-the-ground implementation support by staff and consultants based in WB country offices. In this respect, a selection has been made for extended-term consultant appointments based in WB country office in Tanzania, while similar appointments for the WB offices in Burkina Faso and Papua New Guinea are expected shortly. Direct staffing support to the WBG team by MDTF/Facility so far includes an officer-level staff member seconded by France to the WBG team in Washington and similar support by DFID in the WB office in Jakarta. Soon, they will be supplemented by officer-level staff secondee in the WB office in Lima, Peru. In addition, MDTF/Facility also provides invaluable TA support to national EITI Secretariats in a number of countries. The combination of this support, as well as the funding contribution to MDTF/Facility and the on-going operational collaboration and MDTF/Facility donors' bilateral TA work, all combine to ensure a strong push and support to EITI in countries and globally. **The Annex to this Report lists the current WBG team list.**

F. LOOKING AHEAD—MDTF/FACILITY STRATEGIC DIRECTIONS FOR 2010-2012

19. 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 likely remain (i) continued 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 which are judged by the EITI Board to require remediation work identified, if any, in their current validation reports.

20. Yet, in parallel the WBG and MDTF/Facility teams will also need to be responsive to (i) **meeting demand from new countries** interested in EITI or wishing to adopt EITI, especially in LAC and EAP Regions, and (ii) identifying and designing proactive program of support to help the country to ensure that **EITI is consolidated as a sustainable and an irreversible process** (in selected countries). In addition, there will be a need for continuing the program of **global knowledge and learning** activities, in coordination with the EITI Secretariat Oslo, which includes contributing strategy and policy inputs to similar debates at the EITI globally among EITI Board and stakeholders, and taking a proactive part in key issues such as measuring the

results and impact of EITI in countries. The discussion on strategic options for MDTF/Facility is separately covered in the agenda for this MC meeting. ***(See Tab 9)***

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

List of World Bank and Partner Staff working on EITI Countries

Country (in alpha order)	**Task Team Leader**	**COCPO/WBG staff in country offices ++**	**Other in-country partners**
Afghanistan	Craig Andrews / Yerlan Akishev		
Albania	Andre Ufer		
Angola	Alexandra Pugachevsky / Robert Murphy (ETC)		DFID; Norway
Azerbaijan	*None*		UK Embassy
Botswana	*(M. Stanley)*		AfDB
Bulgaria	*(Anwar Ravat)*	M. Belguedj / Eolina Milova, Ops Officer +	(EITI Sec't Oslo contact)
Burkina Faso	Brigitte Bocoum		
Cambodia	TBA	Stephane Guimbert +	(AUSAid likely to partner)
Cameroon	Faustin Koyasse (in cntry office)	Faustin Koyasse (in country office)	GTZ support
Central African Republic	Brigitte Bocoum		
Chad	Dorian Vasse / Silvana Tordo		AfDB
Colombia	Kristina Svennson / Mirco Kreibich	Javier Aguillar (IFC) + EM-A (STC)	USAID support / BMZ (WB Peru)
Congo, Dem. Rep. of	Gothard Walser / Remi Pelon	Delphin Musampa Tshimena (ETC)	Belgium; USAID ; GTZ; DFID
Congo, Rep. of	*None*		
Cote d'Ivoire	Andre Ufer	TBA - ETC plan (with Burkina Faso)	France, Norway
Egypt	Bryan Land		
Equatorial Guinea	Rafel Munoz Moreno +	Hilda Harnack (Int. STC for EQG)	
Ethiopia	Andre Ufer		
Gabon	*None*		
Ghana	Boubacar Bocoum		GTZ; Norway (Oil); AfDB
Guinea	Boubacar Bocoum	TBA - ETC plan (with Burkina Faso)	
Guatemala	TBA		
Indonesia	G. Hancock (in Mongolia CO)	David Brown (Secondee - DFID)	
Iraq	Anwar Ravat	M. Belguedj / Yahia Said, Ops Officer +	
Kazakhstan	Alexandra Pugachevsky	Tatiana Sedova; Yerlan Akishev (STCs)	
Kyrgyzstan	Alexandra Pugachevsky	Jyldyz Abdyrakhmanova; Yerlan Akishev (STCs)	DFID support
Lao PDR	Craig Andrews		(AUSAid likely to partner)
Liberia	Dorian Vasse, Andre Ufer		AfDB, Norway
Madagascar	Gothard Walser / Remi Pelon		AfDB
Mali	Brigitte Bocoum	TBA - ETC (with Burkina Faso)	
Mauritania	Alexandra Pugachevsky	Herminie Delane, STC /Haroune O. Sidatt +	
Mongolia	G. Hancock (in country office)	G. Hancock (HQ-staff based in CO)	
Mozambique	Bryan Land	ETC joins June 2010 (same as Tanzania)	
Niger	Brigitte Boucoum/Mamadou Barry		Germany
Nigeria	Anwar Ravat	Amanda Lumun Feese (ETC)	DFID ; USAID ; Norway; GTZ
Papua New Guinea	G. Hancock (in Mongolia CO)	TBA - ETC (w/Solomon Islands)	(ADB / AUSAid likely to partner)
Peru	Diana Corbin / Mirco Kreibich	Eleodoro Mayorga-Alba (STC)	BMZ support
Philippines	Mamadou Barry		USAID; PH Chamber of Mines
Rwanda	Mamadou Barry		GTZ
Sao Tome e Principe	Rafael Munoz Moreno +	(Amanda Lumun Feese (to cover JDA)	
Senegal	Boubacar Bocoum		
Solomon Islands	(G. Hancock - in CO)	TBA - ETC (w/PNG)	AusAID
Sudan	TBA		
Sierra Leone	Dorian Vasse / TBA	TBA (STC local)	DFID, Norway
Tajikistan	Alexandra Pugachevsky	Tatiana Sedova (STC - in Kazakhstan)	
Tanzania	Chris Sheldon	ETC starts 6/10; V. Rwechungura (STC)	
Timor Leste	Dorian Vasse	David Hook, Ops Officer +	Norway
Togo	Brigitte Bocoum / Mamadou Barry		
Trinidad & Tobago	*None*		
Uganda	David Santley	ETC joins June 2010 (same as Tanzania)	
Ukraine	*None*		(EITI Sec't Oslo contact)
Vietnam	TBA		
Yemen	Alexandra Pugachevsky		
Zambia	Bryan Land	Patricia Palale +; Dr Mwaka Chulu (STC)	EC support
Zimbabwe	Bryan Land		

Countries listed in italics above are shown for completeness - little or no MDTF contact (but other WBG units do engage wth this ctry. on EITI)

+ = staff of country units or other WBG unit (not COCPO)

++ = Also other international consultants (STCs) provide support in various countries (e.g. Ghislain Pastre; Gilles Durufle; Yerlan Akishev and Eleodoro Mayorga-Alba (Lima) -- as well as Washington DC-based STCs including Mourad Belgudj and Charles Husband.

(NOTE: this country listing includes both formal EITI candidate/validated countries and pre-EITI countries preparing for candidacy or in dialogue)