

**Analysis of Implementation of Revenue Transparency Commitments of
IFC and EBRD loans**

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The Bank Information Center's Europe and Central Asia Program conducted a preliminary assessment of the implementation of project level revenue transparency commitments for the extractive industry projects financed by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). For the IFC, projects that were approved after the April 2006 adoption of the Sustainability Policy were reviewed; for the EBRD, projects approved after the 11 July 2006 adoption of the Energy Policy were reviewed.

After visiting the companies' websites in search for information on revenue payments to host county governments, BIC wrote emails to the contacts specified in the respective Summaries of Proposed Investments and Project Summary Documents, respectively. From research on the websites, only one company, Cadogan Petroleum (EBRD investment) had very accessible and transparent statistics on its payments to governments. Further, only one company replied to our written inquiries. After our communications with the IFC concerning the project, Aricom (IFC investment) notified BIC that as the project will commence production only in December 2007, the Company will disclose its revenue payments in the 2007 Annual Report. Thus, BIC was not able to obtain evidence of revenue transparency for any of investments about which it inquired by email.

I. Concerns about Revenue Transparency Commitments

➤ **Information is difficult to locate on sponsor's website.**

Only one company analyzed had an easy and accessible method for reporting on its 'PWYP' commitments. Cadogan Petroleum is applauded for having clear and updated reporting on Payments to the Ukrainian Government. The downloadable document is entitled 'Summary of Payments to the Ukrainian State Budget', is dated at August 27th, 2007, and includes the following note: *"The European Bank of Reconstruction and Development, a major shareholder of Cadogan Petroleum plc requires its investee companies in the oil, gas and mining sectors to disclose all payments made to governments relating to the extraction of natural resources under the "Publish What you Pay" initiative. The following table summarises payments Cadogan Petroleum plc has made through its subsidiaries in Ukraine."* BIC considers this to be an good example of implementation of revenue transparency commitments.

The rest of the companies' websites do not contain any specific information referencing such commitments. Annual and quarterly reports are

extremely lengthy and dense, and do not contain digestible information about project level revenue transparency commitments. Further, many companies, such as Torreador Resources Corporation, do not have Annual Reports posted on the website post 2005, which is prior to revenue transparency obligations specified in the policies of the IFC and EBRD.

➤ **Company contacts provided are not always useful**

According to the IFC Disclosure Policy, the IFC is required to disclose details of the contact person at the project company, including address, telephone number, fax and e-mail address (Para 14bxiii). For many projects, including Toreador Resources Corporation and Alliance Oil Company, no email addresses are provided for any company officials. Further, if a contact is provided, it is usually the CEO. Although it is commendable to provide as a point contact such a senior management official, it is highly unlikely that they will respond. In fact, BIC has not received a single response as of yet.

➤ **Summaries of Proposed Investments (SPIs) are not updated when contacts change or company acquisition**

Contact information for sponsor companies should be updated regularly by the IFC to ensure accountability and transparency. For example, Kinross Gold Corporation completed the acquisition of Bema Gold, an IFC client, in February 27, 2007. The SPI does not provide updated contacts in the new company, phone numbers or even website. Unless one did research about the fate of Bema Gold, no one would ever know. Further, in some instances, emails were returned to BIC as undeliverable. IFC should monitor its clients and update the public information websites accordingly to ensure the implementation of transparency commitments.

II. Recommendations

➤ **Establish a contact point within IFC to monitor, and report upon its revenue transparency commitments**

IFC should establish an internal contact point and develop a webpage on its website to provide information on project level revenue disclosure for its clients. In fact, an IFC Official committed to the establishment of such a website on April 2007, during a meeting entitled “World Bank Group Extractive Industries Revenue and Contract Transparency” (minutes provided upon request). We urge the IFC to follow up on this commitment.

➤ **Provide project sponsors with information on reporting upon revenue transparency commitments**

In compliance with IFC Policy on Social and Environmental Sustainability, Section 3, para 22, the IFC should promote revenue transparency implementation by developing a set of guidelines for reporting on project level revenue transparency commitments for its clients. The guidance note would be very useful for facilitation of reporting for corporate clients, a powerful example of

‘promoting transparency’ for the IFC, and a tool for civil society to monitor and assess accountability.

➤ **Encourage sponsors to establish a specific webpage dedicated to revenue transparency**

Along with the requirement to establish a revenue disclosure webpage on IFC’s site, the IFC should also encourage its clients to establish their own revenue payments webpages. Cadogan Petroleum, for example, is implementing this in a way that raises its corporate governance profile among investors, civil society and governments.

➤ **Establish a contact point at each project sponsor as a liaison for IFC investments**

Instead of offering the names of CEOs, the IFC should identify a contact points in client companies to whom to direct inquiries about revenue disclosure commitments and general disclosure of information required by the IFC. The contact point will know exactly what the requirements of the IFC are, and will be equipped to easily provide answers to inquiries concerning public information.

III. Comments from the IFC

Since BIC’s monitoring found particular problems with IFC-financed projects, we submitted the results to the IFC for comments.

An IFC official responded that some of the projects committed in 2007 may not have yet started production, may not have made any payments to government in that year, or may have made payments that they intend to disclose at the end of the investor’s financial year (i.e. some time in 2008). It could therefore take a little time before the cycle of development, payment and reporting is complete for all projects that were committed by IFC in 2007.

He reaffirmed the IFC’s commitment to provide detailed information on company-level disclosure of payments to governments. The IFC is in the process of following up with companies and will report via a new web page about what was done in 2007 – the first year that company disclosure of payments was an IFC policy condition.

He also said that the IFC has committed to an evaluation of the companies’ performance, identification of best practices, and assessment of options to make disclosure more accessible. Further, the IFC will assist civil society in identifying appropriate people in the companies to contact and include their detailed information with email addresses on the project websites.

BIC will continue to monitor implementation of the transparency requirements of extractive industry projects.

ANNEX. IFC and EBRD Projects Reviewed for Revenue Transparency Implementation

Institution	Country	Project Name	Major Sector	Primary Activity	Amount (USD)	Date Approved	Revenue Transparency Commitments	Revenue Disclosure
IFC	Russian Federation	Alliance Oil	Oil	Refinery, exploration	25	14-Mar-06	No revenue transparency. Investments mainly in the expansion of the oil company's retail network and refinery modernizations. Also, includes expansion of infrastructure and geological exploration.	No response
IFC	Russian Federation	Kupol (Bema Warrants)	Mining	Gold & silver mining/production, exploration	39	27-Oct-05	IFC states: Information on government revenue payments made by Kupol are being made public in a booklet that the company is in the process of compiling. [Appears to be project-level disclosure, see IFC comments on MIGA below]	Kinross completed acquisition of Bema Gold on Feb 27th, 2006.
IFC	Turkey & Romania	Toreador Resources Corporation	Oil and Gas	Exploration & production	50	18-Dec-06	"The benefits of this project come in a number of forms as outlined above, including revenues to the governments of Turkey and Romania in the form of corporate taxes (33% in Turkey and 16% in Romania) and royalties (12.5% of production in Turkey and 7.5% in Romania)." The IFC plans to monitor payments made to the government, but the SPI does not state a commitments to public disclosure. IFC Response: the SPI did not explicitly state a revenue disclosure commitment, but the IFC confirms the investors have agreed to it and in due course disclosures will be made.	No response

MIGA	Russian Federation	Kupol (Bema Gold)	Mining	Gold & silver mining & production	110	27-Oct-05	Bank response: The Guarantee Holder is committed to EITI principles and will disclose all payments made to the Government in the project website www.Kupolgold.com. At the provincial level, the Chukotka Government will disclose aggregate mining revenues in the website www.chukotka.org. At the national level, revenue transparency is being addressed through the new Subsoil Law and the centralization of the regulatory functions of the state.	Kinross completed acquisition of Bema Gold on Feb 27th.
IFC	Russian Federation	Aricom	Mining	Iron Ore	20	18-Feb-07	It is expected that a significant benefit of the potential future development of Aricom's developments will accrue to government in the form of taxes and royalties to different levels of government. The current taxation system in Russia is complex and levied at the central, oblast and Raion (local) level. The main tax categories are revenue taxes (including royalty, property and environmental taxes) and profit taxes. The Amur Oblast has an official website (www.amurobl.ru) which discloses the full annual budget, the sources, the uses and implementation. The Evreskaya Oblast also has an official website (www.eao.ru). In addition, once Aricom brings its properties to production, Aricom's published accounts will summarize revenue payments to government.	Response provided with commitments to disclose future payments
IFC	Kosovo, Armenia, Turkey	Lydian Resources Company Ltd	Mining	Gold Exploration	2	19-Feb-07	It is expected that a significant benefit of the potential future development of Lydian's properties will accrue to governments of the host countries in the form of taxes and royalties to different levels of government. From fiscal year 2007 onwards, the Company will disclose all payments made to governments (this sentence has been added on May 29, 2007).	Not available online (Financial Reports webpage is blank)

EBRD	Ukraine	Cadogan Petroleum	Oil and Gas	Exploration	25	20-Feb-07	Cadogan Petroleum's commitment to high transparency in its operations is evidenced by the decision to adhere to the Publish What You Pay initiative.	http://www.cadoganpetroleum.com/?page=download&itemID=5
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