

Mr. Woonchong Um, Director
Energy, Transport, and Water Division
Regional and Sustainable Development Department
Asian Development Bank,
6 ADB Avenue, Mandaluyong City 1550
Philippines

June 25, 2007

Re: Comments by NGO coalitions in Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic and Mongolia on the ADB Energy Strategy

Dear Sir/Madam,

Thank you for the opportunity to contribute to the development of the ADB's new Energy Strategy. We are members of the Publish What You Pay international coalition from ADB member countries: Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic and Mongolia. We also represent national coalitions of NGOs established in each of these countries to promote revenue transparency.

We would like to comment specifically on the Bank's policies relating to revenue and contract transparency in the extractive sector as we share the common belief that transparency, accountability and public oversight over revenues from the extractive sector are fundamental for social, political and economic development.

In our opinion, there is a link between revenue transparency and strategic goals of the ADB such as poverty reduction and energy security: corruption and misgovernment in energy-supplying countries not only lead to deeper poverty but make instability and violence more likely. On the other hand, greater transparency of revenues from energy companies to host governments would enable citizens of resource-rich countries to hold their governments accountable over the use of these revenues, reducing the scope for corruption and the instability and risks to energy supply that can grow from it.

We believe that the Bank's commitment to the promotion of transparency in the extractive industry is important for its member states. The **Extractive Industries Transparency Initiative (EITI)** provides an effective framework for countries to take the necessary steps towards greater transparency of resource revenues with the support of financial institutions and donor governments.

The Bank should actively support the implementation of EITI through providing technical and capacity building assistance to host-governments where the Bank operates, and by promoting transparent revenue reporting, as well as increased financial and organizational transparency in these countries.

In addition, the Bank should only engage with companies that disclose their contract terms and payments to host-governments. This practice is already accepted by European Bank for

Reconstruction and Development. Also, the IFC requires project-level disclosure for all extractive industry investments.

Accordingly, the ADB's new Energy Strategy should clearly reflect the following transparency requirements:

- Public disclosure of all revenue payments (including royalties, taxes, commodity based payments, signing bonuses etc) made to governments and their agents by all extractive projects that receive the financial support of the ADB, including those made via financial intermediaries;
- Public disclosure of all revenue payments received from the extractive industries by governments receiving loans or technical assistance from the Bank;
- Public disclosure of key contractual agreements for all extractive projects funded by the Bank; and
- Mandatory disclosure of the transparency-related requirements contained in loan agreements.

In our opinion, implementation of these recommendations will allow the Bank to play a leading role in advancing transparency across all its activities and in all member countries.

We hope that the comments and recommendations in this letter will be taken into account and incorporated into the draft to be approved by the Bank's Board of Directors. In addition, we hope that the draft Energy Strategy will be posted on the Bank's website before the date of its approval by the Board to allow for further comments by civil society organizations and other stakeholders.

We look forward to continuing our co-operation with the Bank on this issue.

Yours sincerely,

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