



August 27, 2007

Board of Directors
Asian Development Bank

Re: Revenue and Contract Transparency in ADB's Energy Strategy

Dear Board of Directors,

During consultations on the Asian Development Bank's draft Energy Strategy, the Bank Information Center has advocated that the Bank adopt strong requirements for transparency of revenues and contracts associated with all extractive industry projects that it finances. We appreciate the opportunity to comment on the draft and the willingness of ADB officials to discuss the Bank's proposed Energy Strategy with us. We are encouraged that the ADB in principle supports transparency as a key element of good governance and that it is considering the applicability of the Extractive Industry Transparency Initiative to its extractive industry operations.

We are troubled, however, that the ADB has no plan to adopt an explicit and public policy that requires transparency for revenues and contracts associated with ADB-financed extractive industry projects. In this respect, the ADB lags behind other international financial institutions in moving toward a more transparent regime for its extractive industry operations. Both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development, for example, require public disclosure of material payments to host governments from EI projects that they finance. In addition, the IFC requires that significant projects disclose relevant terms of key contracts (such as host government agreements and intergovernmental agreements) that govern their EI projects. These requirements are spelled out in public policies, so that member governments and companies that manage the projects have a clear understanding of the requirements and can be held accountable to the public.

We encourage the ADB to reconsider and publish strong requirements for revenue and contract transparency for its extractive industry projects. This would be in line with the harmonization efforts underway at the IFIs in which the ADB has been an active, and at times, standard setting contributor.

Specifically, we recommend that the ADB adopt the following requirements for all extractive industry projects that it finances:

- Public disclosure of all types of material project payments made to the host government, including royalty payments, taxes, commodity-based payments, signing bonuses, pipeline tariffs, dividends, acreage fees, and payments made to government security personnel;
- Public disclosure by governments of all revenue payments received from oil, gas, and mining projects receiving loans or technical assistance from the ADB;

- Public disclosure of all key terms and clauses of all foreign investment contracts and agreements, including host government agreements, production sharing agreements, concession agreements, and inter-governmental agreements;
- Disclosure by the ADB of all transparency-related requirements contained in ADB loan and assistance agreements.

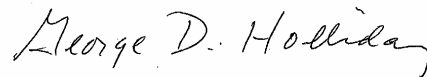
We think that it is important for the ADB to make clear its commitment to strong revenue and contract transparency requirements for its extractive industry projects during its consideration of a new Energy Strategy. **We urge that the Energy Strategy either explicitly incorporate such requirements or stipulate that they will be published as an addendum to the ADB's Governance Policy or as a separate policy.**

Thank you for considering our views on this important issue.

Sincerely,



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