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Asian Development Bank
6 ADB Avenue, Mandaluyon City 1550
Philippines

July 27, 2007

Re: Comments on the ADB Energy Strategy Discussion Paper from Publish What You Pay coalition members

Dear Mr. Woochong,

Thank you for the opportunity to comment on the Asian Development Bank's draft Energy Strategy. As members of the international Publish What You Pay (PWYP) NGO coalition we would like to call your attention to an important shortcoming in the new Strategy – the absence of clear and specific requirements for revenue and contract transparency in extractive industry projects financed by the ADB, including *inter alia* oil, gas, and coal upstream and downstream operations.

We welcome the ADB's recognition of the importance of good governance to the successful operation of the extractive industry sectors of its member countries. We strongly believe that an essential element of good governance is transparency of revenue flows from private energy companies to governments and of key contracts and agreements between companies and governments. Public disclosure of payments made to the government reduces the opportunity for wasteful and corrupt management of energy resources. Public disclosure of contracts signed between governments and private companies improves accountability and makes it more likely that the benefits of energy resource projects will be distributed more equitably.

While the ADB's emphasis on good governance is commendable, it does not currently have in place measures to ensure revenue and contract transparency in extractive industry projects that it finances. Nor does its draft energy strategy elaborate the steps that it will take to improve transparency in its extractive industry operations. Both the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) already require all extractive industry projects to disclose all government payments. Furthermore, the International Monetary Fund (IMF) recommends disclosure of all contracts between governments and extractive industry operations, The IFC has project requirements for contract disclosure, and the EBRD supports contract disclosure as best international practice.

To promote more effective governance and transparency for revenues and contracts, we recommend that the Energy Strategy include the following specific requirements for all extractive industry projects financed by the ADB:

- 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 of all transparency-related requirements contained in ADB loan and assistance agreements.

In addition to the essential project requirements, we believe that the Extractive Industries Transparency Initiative (EITI) is a useful step toward greater revenue transparency. Accordingly, we recommend that the ADB encourage and assist member countries to commit to, and implement, EITI principles.

Thank you again for the opportunity to contribute to ADB's new Energy Strategy. We hope that you will agree to incorporate these important requirements for greater transparency in ADB's energy operations.

Sincerely,

Radhika Sarin

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