



IMF and World Bank Need to Bolster Transparency Measures in the Extractive Industries

October 29, 2008: The International Monetary Fund (IMF) and World Bank Group are falling short in fostering fundamental measures of transparency in the oil, gas, and mining industries, a [report](#) released today by the Bank Information Center and Global Witness found.

The assessment of IMF and World Bank Group engagement in 55 resource-rich countries revealed that while the institutions have made numerous commitments to strengthen transparency in the extractive industries in order to combat corruption, their application of these measures has been highly inconsistent and not comprehensive.

“Our study found that while the World Bank and IMF raise the issue of transparency in many resource-rich countries, disclosure of revenues is not always mandated, disclosure of contracts is largely lacking, and meaningful civil society participation often goes unaddressed,” said Corinna Gilfillan, Head of Global Witness’ U.S. office. “We commend the IMF for giving high priority on the disclosure of oil and mining revenues, but the Fund and Bank need to consistently promote transparency, in order to help ensure that natural resources contribute to development and poverty alleviation.”

“The World Bank and IMF are continually challenged by citizens to justify their involvement in the development of oil, gas, and mining,” said Heike Mainhardt-Gibbs of the Bank Information Center. “The recent failure of the Bank’s Chad-Cameroon Pipeline project, which was supposed to be a showcase of revenue transparency, demonstrates the need for the Bank and Fund to, at the very least, require the essential transparency measures of revenue and contract disclosure.”

In September 2008, the World Bank pulled out of the Chad-Cameroon oil pipeline after long-standing tensions with the government over failed promises to spend the oil profits on programs for the poor. Instead, the government spent more oil revenues on military expenditures. The pipeline was one of the Bank’s biggest investments in Africa (\$140 million) and was billed as a test case for how Africa’s oil wealth could benefit the poor if spent properly and transparently as conditioned by loan requirements.

Both the Bank and IMF are important players in the oil, gas, and mining world. It is estimated that more than 100 countries have reformed their hydrocarbon and/or mining sectors over the past two decades under the guidance of World Bank and/or IMF programs. Furthermore, on average the World Bank Group provides over \$US1 billion to extractive industries annually.

The joint BIC-Global Witness report points out that both institutions actively promote the Extractive Industries Transparency Initiative (EITI) and both recommend contract disclosure for the industry, if only mainly in theory. In addition, the private sector lending arm of the Bank, the

International Finance Corporation, does require individual extractive projects to disclose revenues. Although, the assessment indicates that the level of reporting varies greatly across projects.

Additional findings of the assessment include:

Revenue transparency is frequently used as a benchmark for IMF lending programs but infrequently for the World Bank – The IMF uses revenue transparency as a program benchmark in 59% of resource-rich countries with lending programs. In contrast, the World Bank designates it as a program benchmark in only 19% of country lending programs and in 21% of country strategies in resource-rich countries.

Contract disclosure is largely not promoted – The disclosure of contracts is addressed by only 20% of IMF operations and only 10% of World Bank operations in resource-rich countries.

The importance of civil society engagement is often absent – The issue of civil society engagement is addressed in only about a quarter of World Bank country programs, and less than 20% of IMF programs. Furthermore, governments and private sector projects are not held accountable for the adequacy of civil society engagement through any benchmarks.

The study recommends that the two institutions should: make extractive industry transparency measures core criteria as progress indicators/program benchmarks for all resource-rich countries and EI projects, including disaggregated, project- and company-level extractive industry revenue disclosure; and public disclosure of EI contracts; and increase activities to ensure meaningful civil society engagement in the implementation and monitoring of EI transparency processes, including in oversight mechanisms.

The Bank Information Center and Global Witness will be publicly launching the report in mid-November. To download the full assessment, go to:

www.globalwitness.org/media_library_detail.php/676/en/assessment_of_international_monetary_fund_and_world_bank or

www.bicusa.org

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