Extracting Transparency

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The construction of energy infrastructure in the developing world, from oil pipelines to power plants, is a lightning rod for international and domestic criticism. Critics fear that governments will steal natural resource wealth, disregard the environmental impact of pipelines or other extraction methods, destabilize neighbors with their new wealth, or stir domestic unrest over allocation of resource revenues.[1] Although these problems are indeed real and recurrent, the true fault lies with bad governments and bad governance, not with the infrastructure itself. Nevertheless, the need to create wealth in the developing world and to deliver energy to the two billion people who lack access to electric power is greater than ever. Public policy should, therefore, be aimed at encouraging or obliging nations rich in non-renewable resources to commit to transparency in public finance.[2] This would include publishing the sources and amounts of government revenue, disbursement, and borrowing practices.[3]

In this issue, our authors examine the impact of energy infrastructure on political stability. Aude Delescluse looks at the landmark Chad-Cameroon pipeline to assess whether the World Bank-monitored framework for channeling Chad's oil revenues into economic development can be a model for other nations. Toufiq Siddiqi examines the potential for new oil and gas pipelines across South Asia to forge integration in a region historically beset by deep distrust between neighbors. Fiona

Hill looks to the Caspian region and the new oil and gas pipelines from Baku, Azerbaijan to Ceyhan, Turkey to assess whether new infrastructure built by Western companies will be a springboard for the development of these nations or a magnet for internal rivalry over the allocation of hydrocarbon revenues. Edward Chow examines Russia's rapid rise as an oil power and the evolving tensions between the government's monopoly on transportation infrastructure and the desire of Russian and international companies to ensure they can export the oil they produce.

In each case, new energy infrastructure is viewed as a potential financial cure for nations that need revenue to alleviate poverty. Yet, in each case, distrust of national governments or deep disagreements among the governed both challenge the ability of private actors to build and operate the infrastructure in question, and create potential for new wealth to become a source of conflict in itself. For any civil society to have informed views about the costs and benefits of energy infrastructure, and the wealth it can create, governments must be transparent about the wealth that can be obtained and how it will be spent. For this reason, this article addresses this fundamental concept of transparency.

How, then, should policymakers begin to encourage this type of accountability? Unfortunately, there is no single path to "extracting" transparency from resource-rich nations, each of which has a different set of needs and vulnerabilities. In addition, some nations are too wealthy to be influenced externally at all. But there is a new coalition of forces aligned and committed to this goal today, as never before. Non-governmental organizations, such as the Open Society Institute and Global Witness, government officials from British Prime Minister Blair to the leaders of the New Partnership for African Development and the African Union, corporations like BP and Royal Dutch Shell, and the leaders of the G-8 have all committed to encouraging resource-rich nations to accept voluntary scrutiny of resource wealth management and to assisting them in changing government financial practices.

It is time to take this effort to the next level. The proposals pending today—Publish What You Pay (PWYP), the Extractive Industries Transparency Initiative (EITI), and the 2002 G-8 Evian Declaration—so far lack the resources and leverage to achieve their objectives. The most powerful, underutilized mechanism for effecting change is to harness the collective power of the G-7 nations—particularly their influence as shareholders in the World Bank and the International Monetary Fund, and their membership in the Paris Club of sovereign debt holder—in order to begin the process of extracting transparency.

G-7 nations must adopt a new basket of tools to motivate the leaders of resource-

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rich nations to commit to transparency. Five tools, in particular, are critical: relieving debt, financing new energy infrastructure, conditioning trade finance, toughening banking regulations, and subsidizing capacity-building. Moreover, this pressure must be brought to bear quickly, as the current window of opportunity will be open only briefly: three years from now, many of these resource-rich governments will begin to take in tens, and in some cases hundreds, of billions of dollars.[4] Once governments acquire this wealth, it will be impossible for other nations to use external incentives or pressure to foster political change. Acting now is the only option.

Infrastructure is the Solution, Not the Problem. In many nations, the creation of new energy infrastructure is seen mistakenly as an evil in itself. Internal groups and external actors mobilize to block gas or oil pipelines from Bolivia to Brazil and from Chad to Cameroon, or to oppose development of liquefied natural gas (LNG) plants in Peru (or in California). NGOs have even urged the World Bank to cease infrastructure financing altogether.[5] Others have insisted that it is better to leave hydrocarbons in the ground than allow governments to extract them and control the resulting revenues.[6]

The concerns raised by these groups—corruption, environmental degradation, and displacement of indigenous populations—are serious and must be addressed. The root of these problems, however, lies in the government, not the infrastructure. As such, governments must be made accountable to their people and be motivated to use an inclusive national political process to reconcile competing internal concerns and to create environmentally-sensitive development plans.

But more energy infrastructure is needed, not less—poverty in the developing world cannot be redressed without providing access to energy. Two billion people lack access to electricity, and over two billion rely on wood, dung, or other inefficient, high-polluting sources of energy.[7] Many of the world's poorest countries have, at this stage of their development, little more than their potential resource wealth to generate development. For the energy poor, a power line is a lifeline, and for the newly resource-rich nations of Central Asia, Central and West Africa, and landlocked Latin America, construction of pipelines that bring their hydrocarbons to hard currency markets is their only path to political autonomy and economic prosperity.

Indeed, the projected increase in demand for energy over the next twenty years is staggering: The Energy Intelligence Administration (EIA) expects global demand for energy to increase 404 quadrillion British Thermal Units (Quads) to 640 Quads by 2025.[8] Demand in the developing world will double from 139 Quads to 269 in this time period, and most of this energy will come from oil, gas, and coal.[9] The infrastructure needed to build the pipelines, power plants, transmission lines, and LNG gasification and regasification facilities will need to be financed by international financial institutions or major international banks, and to be insured or assisted by national risk insurers and trade finance agencies. The capital needs are too great for developing nations to finance alone, and the risks are too great for private companies to assume without sovereign risk insurance. Rather than deny energy development to bad governments, policymakers must find a way to use infrastructure development as one of

several tools to extract transparency commitments from them. In short, infrastructure is not the problem and can be part of the solution itself.

The Problem is Bad Governance.

The majority of the world's resource-rich governments are also the world's most corrupt and ineffective. A recent World Bank study ranked the twenty-five countries with the largest oil reserves according to their compliance with World Bank standards of governance.[10] Those that ranked the highest in voice and access (Australia, Canada, Norway, the United Kingdom, and the United States) accounted for only 4 percent of proven oil reserves. The countries that ranked in the bottom quartile for voice and access (Algeria, Angola, China, Iraq, Libya, and Saudi Arabia) account for 43 percent of total reserves. The twelve countries listed in the bottom category for at least one of the governance indicators (Angola, Algeria, China, Colombia, Indonesia, Iraq, Libya, Nigeria, Russia, Saudi-Arabia, Syria, and Venezuela) hold 58 percent of the world's oil reserves and ten of those are among the top producers.

The goal of an effective policy must be to motivate these opaque governments to reveal not only what they take in as revenue, but also whether and where they spend the revenue. Both creditor nations and the citizens of debtor nations should also know how much resource-rich governments borrow, from whom, and for what. Transparency is an end in itself, insofar as it is essential to giving those who are governed informed consent. It is also a means to important ends, such as promoting development and reducing poverty. A policy that obliges governments to publish what they earn, what they spend, and what they borrow, can address corruption and promote development.

Naturally, changing the behavior of opaque, corrupt, or ineffective governments by external pressure will not be easy. Those nations that are already wealthy enough to borrow in commercial markets and to resist entreaties of aid (such as Saudi Arabia, Indonesia, and Algeria) may be impervious to pressure for reform. Other countries may be open or susceptible to change, but their ruling elites must be enticed to change their ways, forsake a corrupt system, and risk the retribution of their former colleagues or an angry public. Even if they can muster the political will, the governments of most developing countries lack the administrative capacity to create a public budget of revenue and expenditure, audit it for accuracy, and organize it along programmatic lines. In any event, it is certain that most governments will not change of their own volition; they must be given incentives to change, less room to hide misappropriated funds, and help in managing transparency if they are to have the will to change.

Current International Efforts.

There are already several international and multilateral efforts under way today that seek to create transparency in the governance of resource-rich nations. All these efforts contribute to the education of Western nations and companies on the need for transparency, and all add welcome pressure on resource-rich governments. But each of these efforts possesses neither the scope nor the leverage to succeed.

The PWYP campaign, launched by the Open Society Institute, seeks to compel those energy companies listed on public stock exchanges to publish the

tax, royalty, bonus, and other payments they make to resource-rich countries.[11] PWYP's efforts are limited because it lacks universality and does not address expenditures. National oil companies that are not listed on stock exchanges control most of the world's oil wealth. Neither they nor private companies would be obliged to comply. Listed companies fear that publishing their payments would also put them at a competitive disadvantage compared to non-reporting companies. Compliance would also be prospective, as nearly all existing oil development contracts oblige companies to keep the contract terms confidential. Only future contracts, signed after prospective listing requirements were in place, would be affected. Moreover, PWYP's failure to address the question of where the government spends the money it earns will be detrimental to its success.[12]

Voluntary initiatives, such as the Extractive Industries Transparency Initiative (EITI), will benefit those countries that choose to join the effort. But it is a country-by-country process. If a nation volunteers to cooperate, EITI-sponsoring countries work with government, industry, and civil society leaders to develop the necessary templates for data collection, aggregation, and reporting. EITI governments are committed to provide the technical assistance to help volunteering nations accomplish their goals.[13] EITI has the flexibility to allow nations to chart their own path for transparency without sacrificing sovereignty. Nigeria has stated that it will join EITI, and it is developing a roadmap with the United Kingdom and other authorities. Yet, EITI—like PWYP—fails to focus on government expenditures, where there is the highest possibility for abuse.

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EITI is one path to achieving transparency, but it is deeply handicapped. It relies on willing nations, which may exclude those nations least inclined to, but most in need of, change; it has few resources—providing auditing support for a nation can cost millions of dollars and neither the United Kingdom nor any other participating EITI nation has publicly set aside resources to support EITI technical assistance programs; it lacks leverage—there must be more political enticement for the leaders of Angola, Kazakhstan, and Congo-Brazzaville to accept technical assistance; and finally, it lacks the commitment of the United States. After lobbying hard to ensure that EITI became a voluntary, rather than a mandatory approach, the United States has so far declined to commit diplomatic or financial resources to this effort.

The 2002 G-8 Action Plan declared in Evian is a rhetorically comprehensive approach to addressing transparency problems and corruption.[14] The Action Plan states a commitment to encouraging governments and both private and state-owned companies to disclose their revenue flows, payments, and expenditures.

The Plan also expresses a commitment to working with participating governments to achieve high standards of transparent public revenue management, including the processes for awarding contracts and concessions. The Action Plan also promises to provide capacity-building support where needed, and to encourage the IMF and World Bank to give necessary technical support. In theory, the G-8 plan adds welcome focus on expenditure transparency. Unfortunately, the plan is merely rhetoric: No U.S. official is tasked with its implementation, no resources have been set aside for implementation, and no G-7 apparatus was established to follow up the initial effort.

Finally, the IMF and World Bank are undertaking ad hoc efforts to extract transparency commitments in exchange for stand-by agreements and World Bank support. Thus, disclosure of oil revenue data is a requirement for obtaining a staff-monitoring program with the IMF. The IMF reportedly required Congo-Brazzaville to certify its oil revenues, break down categories of public expenditure, audit the national oil company, establish a special unit to supervise payment of oil revenue to the Brazzaville government, and cease borrowing against future oil revenue in exchange for approving relief for its $6.4 billion debt.[15]

Ad hoc efforts will not be enough. The goals of transparency must include expenditures as well as revenues. The EITI and G-8 efforts must be backed by resources and complemented with more powerful incentives. If we are to extract transparency and development from oil producers, we will need a government-led policy with greater leverage.

New Tools. The G-7 nations are best equipped to extract transparency from resource-rich nations through collective actions for several reasons: The G-7 nations command the majority of shares in the World Bank and IMF; their economies consume the lion's share of extractive resources; they are the holders of the greatest amount of sovereign debt; and their citizens and companies generate the vast majority of investment capital. Moreover, bilateral efforts to extract transparency are destined to fail; nations can simply shop elsewhere for investors and financiers. Requiring disclosure from the companies of some nations but not others also creates an uneven playing field. The debate over mandatory versus voluntary disclosure rules for G-7 nations, which plagued the development of EITI and the G-8 Declaration, is too polarized to be resolved quickly. Thus, a surer diplomatic path is to forge G-7 consensus on a new set of tools to incentivize leaders of resource-rich nations to reform. Five new tools are essential: debt relief; financing new energy infrastructure; conditioning trade finance; toughening banking regulations; and subsidizing capacity–building. The deployment of these tools should be performance-based, mirroring the philosophy of the Bush Administration's

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Millennium Challenge Account. In other words, if a country agrees to adopt public budgeting, make income and expenditures public, and negotiate or offer a commitment to a credible domestic investment program with the World Bank, creditor governments should agree to make the beneficiary government eligible for one or more of these new programs. Conversely, if the government reneges on its transparency and development commitments, the programs should be cancelled, converted to sovereign debt, and made payable by the offending government.

Debt for Transparency. For many nations, the potential for debt relief is a powerful incentive for reform, and for the leaders of heavily indebted countries, sovereign debt is their top political problem. Indeed, the burden of debt puts pressure on public budgets, stunts development, and gives politicians little space for satisfying public demands. Therefore, delivering debt relief could provide these leaders with a major political victory, enhancing their political legitimacy. This makes debt relief one of the powerful incentives these leaders may have, yet the IMF and Paris Club members have frowned on debt relief for many resource-rich countries. G-7 governments, including the European Union member-states, could offer a debt-for-transparency swap whereby the G-7 nations would commit to direct their representatives in the Paris Club to support a long-term debt rescheduling for those nations that agreed to adopt a program of transparency. The debt relief should be staged so that relief was not available until serious disclosures of revenue and expenditures had been made and new public accountability measures had been put in place. Giving relief for resource-rich countries does give them a benefit despite their past corrupt or wasteful behavior. But if it succeeds in eliciting commitments for transparency, it is an exchange worth making.[16]

A New Infrastructure Fund. Over the next two decades, nearly every developing country will require massive investments in infrastructure to deliver energy to their populations. Countries with hydrocarbons will need oil and gas pipelines and potentially LNG gasification facilities, while other nations will need to provide access to electricity and infrastructure to deliver feedstock to power generation plants. The IEA estimates that cumulative investments in power plants alone from 2000-2030 will amount to $4.2 trillion, with more than half of this investment in developing countries.[17] Developing nations will not have the internal capital to finance these projects, and commercial companies are unlikely to take the risk of financing them without sovereign risk protection and co-financing from international financial institutions.

The World Bank has been wary of making commitments to such infrastructure projects because of the availability of private capital and the need for major policy reforms to make these projects sustainable. But a fresh, conditional commitment to financing infrastructure, based on new contributions by Bank shareholders, could provide a powerful tool for modernization, poverty alleviation, and reform. The soon-to-be-tested World Bank investment in the Chad-Cameroon pipeline (discussed by Aude Delescluse in this issue) is an early model of how such an investment can be leveraged for trans-

parency and development commitments by the recipient nation. So far, Chad-Cameroon is a unique case, but the concept of linking financing to a national commitment for transparency and development is replicable. Creation of a new World Bank infrastructure fund would also help stimulate global economic growth by reducing poverty and stimulating demand for energy services.

Conditional Trade Financing. Energy development is capital intensive, and trade financing—through the Export-Import Bank, the Trade and Development Agency, and international equiva lents such as COFACE—plays a critical part. The primary role of these agencies is, of course, to promote trade by making it attractive to buy national goods. Any system that unilaterally adds costs or conditions to U.S. trade finance, without parallel measures by Europe and Asia, is doomed to fail in its objectives and punishes U.S. companies. Yet, there is now widespread acceptance of the need for an environmental impact assessment before any project receives Ex-Im or World Bank financing. The G-7 should commit to requiring a "developmental impact statement" for projects in developing countries. To obtain financing, countries would need to demonstrate a commitment to using the proceeds of the resources for national development and agree to transparent monitoring and auditing of project income. The United States could exercise leadership by committing to adopt this policy if other G-7 nations follow suit.

Toughening Banking Regulations. G-7 nations can also make it harder for nations to hide national assets overseas, to conceal sovereign debt, or to allow national oil companies or other officials to sell public resources for private gain. One method would have the successful G-8 Financial Action Task Force (FATF) create new standards for access to Western banks.[18] G-8 member states could require banks under their national jurisdiction to require their correspondent banks in other countries to determine the true owners of all bank accounts and to document the validity of their transactions before they gain access to correspondent Western banks. This would deny capital access to illegitimate banks and track outflows from governments known for corruption. G-8 nations could also require their banks to document and disclose to the IMF all loans made by sovereign governments. This would give the IMF and others a true picture of the debt of those nations seeking debt relief and help track loans made to finance weapons or other purchases. This is information to which any creditor would be entitled. New rules would provide creditor nations with some "self-help" in verification. Finally, the FATF should adopt measures to "tag" oil sales to ensure that all legitimate sales are traceable to their owner. This would not harm legitimate western operators or national oil companies, but could help deter those in or out of government who divert the proceeds of oil sales for their own benefit.

Subsidizing Capacity-Building. Most nations lack the administrative and technical capacity to create a public budget, conduct financial and management audits, and reconcile national accounts. Some nations, if they commit to transparency, may outsource these functions to international auditing firms to pro

duce a nationally credible report. The retention of these firms can cost millions of dollars, and the process of training nationals to create their own offices of management and budget takes time and resources. G-7 states should commit fresh funds for capacity-building for states that adopt transparency measures. Each country should be able to administer its own assistance, rather than have to pool resources. But, absent fresh funds, the rhetorical commitment to assist nations who join EITI or follow the G-8 Action Plan rings hollow.

Conclusion. After decades of tolerating corruption and squandering foreign aid on nations who take assistance with one hand and pocket it with the other, the world's most powerful states have made a commitment to seek transparency from resource-rich nations, just as they are finding ways to elicit good corporate governance from the companies in their own borders. Serious political leaders in Europe, Asia, and Africa, and powerful citizen groups are committed to advancing this effort. In fact, three of the largest European energy companies have determined that publicizing what they pay governments and what they spend in other countries will help their reputations, improve the local investment cli mate, and reduce their vulnerability to corruption. But while there has been agreement on the policy ends a country should seek, there has been unproductive disagreement on the necessary means to achieve them.

It is within the power of the United States and its G-7 partners to implement these new tools, and the 2004 G-7 Sum mit in Sea Isle, Georgia provides an opportunity to do so. When motivated, the G-7 has been an effective vehicle for forging multilateral economic policy or implementing programs advised by international financial institutions. The G-7 raised $69 billion in relief for the former Soviet Union, led the campaign to raise funds to build a sarcophagus for Ukraine's Chernobyl reactor, mobilized $1 billion for the IMF's Heavily Indebted Poor Countries debt relief program, raised $20 billion to combat weapons of mass destruction, donated $6 billion in aid for Africa, created international money laundering prevention programs, and promulgated common standards for banking transactions.

The debt of major oil producing states is largely owed to G-7 nations, including the EU countries. These nations also provide the lion's share of trade financing for infrastructure development. Their agreement to adopt a new policy, made at the head of state level, would change the policies of their representatives at the Paris Club debt-rescheduling meetings. These very states lent funds to predecessor governments of these poor countries without regard to how these funds were spent or squandered. A political decision to provide relief in exchange for guarantees that the mistakes of the past will be less likely to be repeated would be good moral as well as foreign policy. If the G-7 states commit new funds to a Global Infrastructure Fund, or to a global capacity-building program, they would easily dictate the terms of new programs.

If these programs were adopted, the prospects for extracting transparency from the leaders of Angola, Nigeria, Azerbaijan, Kazakhstan, and Congo-Brazzaville would be dramatically enhanced, and pressure on other leaders in need of new infrastructure would be significantly increased. Yet, nothing will

produce immediate success. The key effect of these new programs is that they can deliver a political success to the leaders of the nations who now profit from the existing system. Until these leaders are personally motivated to change, the status quo will endure. We can only motivate them by giving them a chance to deliver a popular benefits—debt relief, new infrastructure, and help training their officials. They will not change without external aid and pressure.

If we fail to act, we will see greater instability in the nations on whom we rely for oil and gas. We have seen powerful examples of this in recent years. The 2002 Venezuelan national oil company strike suspended almost 1.3 million barrels per day of oil exports to the United States. It was another battle in a continuing struggle in Venezuela over the failure of the government to use oil wealth to alleviate poverty. The strikes in the Niger Delta, a continuing series of events in 2003, knocked 800,000 barrels of oil out of the market. These will continue—as will instances of hostage taking, sabotage, and the accidental deaths of hundreds of Nigerians—until the distribution of oil wealth to that region is settled. The President of São Tome was temporarily ousted in a coup in July 2003 over the handling of contracts for oil concessions, even though São Tome's oil reserves remain unproven. The Bolivian president was forced to resign in October 2003 over widespread distrust that his government would not use wealth form a potential gas pipeline to Chile to relieve the poor.

Transparency in government is like oil from the ground—we must extract it.

Instability in the oil market leads to economic dislocation in the West and regional political instability. In a worst case, opaque governments with vast hidden wealth can be hotbeds for terror, as we have witnessed in Sudan. We can try to clean up instability after it occurs through peace-making diplomacy, or relief for the displaced, or by absorbing the economic pain of oil price shocks. A policy of prevention may be more cost effective.

The challenge ahead is great. Leaders who profit from operating in the shadows do not seek the light, and we must find ways for them to achieve political success in transparency. The United States government is not yet committed to advancing this cause, and its major oil companies have not found the will or the mechanisms to support these efforts. Any transparency campaign will fail without the engagement and support of the U.S. government and major U.S. companies, and the citizens of resource-rich nations lack the information they need to promote reform from within.

The current window of opportunity for change is likely to close by 2006. Many resource-rich nations are not yet wealthy enough to act with impunity. Energy poverty is creating enormous potential demand for investment. G-8 countries can profit from meeting demand for energy services and infrastructure, sustaining energy production worldwide, eliminating corruption and instability, ending energy poverty, and

promoting global economic growth. If G-8 governments are serious about these issues, they must bring enough pressure to bear to produce change. The U.S.-hosted G-8 Summit this spring is the next opportunity to build and consoli date the transparency gains made so far and advance this campaign to the next level. The new measures proposed here will give power and leverage to this campaign. Transparency in government, like oil from the ground, is a valuable good that will not be produced without effort and resources—we must extract it.

NOTES

1 A new report by Catholic Relief Services synthesizes these arguments well. Ian Gary, *Bottom of the Barrel: Africa's Oil Boom and the Poor* (Catholic Relief Services, July 2003).

2 This category would include countries such as Algeria, Angola, Azerbaijan, Bolivia, Botswana, Cameroon, Chad, the Democratic Republic of the Congo, the Republic of Congo (Brazzaville), Equatorial Guinea, Kazakhstan, Nigeria, Papua New Guinea, Sao Tome and Principe, Sudan, East Timor, Venezuela, Yemen and Zambia.

3 There are several other definitions of transparency offered by different organizations. The Open Society Institute defines transparency as an aggressive disclosure policy to minimize opportunities for abuse. The G-8 Evian Declaration defines it as a process of accounting for all budget flows (revenues and expenditures), government procurement, and the awarding of concessions. The NEPAD, in its Declaration on Democracy, Political, Economic and Corporate Governance, defines transparency simply as universally accepted codes and standards for responsible financial management.

4 PFC Energy estimates that the Nigerian government's share of oil wealth from now until 2010 will be $110 billion. A recent study estimates that Azerbaijan can expect to earn up to $16 billion. Svetlana Tsalik, *Caspian Oil Windfalls: Who Will Benefit?* (New York, NY: Open Society Institute, 2003), 180.

5 The World Bank, "Extractive Industries and Sustainable Development: An Evaluation of World Bank Group Experience," Operations Evaluation Department, Report No. 26373, July 2003, iii.

6 Ian Gary, *Bottom of the Barrel: Africa's Oil Boom and the Poor* (Catholic Relief Services, July 2003), 11.

7 According the 2002 World Energy Outlook, 1.6 billion people have no access to electricity. 80% of these people live in India or sub-Saharan Africa. 2.4 billion people rely on biomass for heating and cooking and, as a result, suffer negative health impacts, environmental degradation, and lack of productivity. The burden of biomass collection and cooking falls heavily on women and girls. By 2030, absent a radical change in policy, 1.4 billion people will still have no access to electricity. On the latter figure, see International Energy Agency, "World Energy Outlook 2002," September 2002, 71–73.

8 Energy Information Administration, "International Energy Outlook 2003—Table 1. World Energy Consumption and Carbon Dioxide Emissions by Region, 1990–2025," May 2003, Internet, http://www.eia.doe.gov/oiaf/ieo/tbl_1.html (Date Accessed: 22 September 2003).

9 Energy Information Administration, "International Energy Outlook 2003 – World Energy Consumption" May 2003, Internet, http://www.eia.doe.gov/oiaf/ieo/world.html (Date Accessed: 22 September 2003).

10 The data in this section are taken from Ron Gold, *Going Where the Oil Is* (New York: Petroleum Industries Research Foundation), July 2002, 4–5). The World Bank defines "Voice and Access" as citizens' participation in selecting their government and indepen dence of local media. "Rule of Law" refers to the effectiveness of the judiciary, the enforceability of contracts, and crime. "Control of Government" gauges the level of corruption among government officials. The World Bank, "World Bank Governance Indicators: 1996–2002," Internet, http://www.worldbank.org/wbi/governance/govdata2002/index.html, (Date Accessed: 22 September 2003).

11 Publish What You Pay, "Extractive Industries Transparency Initiative High-Level Multistakeholder Conference," Internet, http://www.publishwhatyoupay.org/eiti (Date Accessed: 22 September 2003).

12 As a practical matter, the information about how much countries are earning from their oil contracts is available for sale by industry analysts such as Wood Mackenzie or PFC Energy. A commitment by the Open Society Institute to fund and publish an annual review of oil revenue earners would reveal swiftly and comprehensively who is paid what. The International Energy Agency could also make an enormous contribution to transparency and governance by funding such an annual report.

13 Extractive Industries Transparency Initiative. Multi-Stakeholders Conference, 2003 (London), "Statement of Principles and Agreed Action," 17 June 2003, Internet, http://www.dfid.gov.uk/News/News/files/eiti_stat_of_principles.htm (Date Accessed: 22 September 2003).

14 G-8 Evian 2003 Summit Declaration, "Fighting Corruption and Improving Transparency," Inter-

net, http://www.g8.fr/evian/english/home.html (Date Accessed: 22 September 2003).

15 Paul Melly, "Transparency is key to Congo-B's IMF deal," *African Energy* (September 2003): 5.

16 Some countries that are rich in non-renewable resources are also eligible for Heavily Indebted Poor Countries (HIPC). These countries include Angola, Chad, Cameroon, Congo –Brazzaville, the Democratic Republic of the Congo, Guinea, and Zambia. The World Bank should insist on revenue and expenditure transparency as a condition of compliance with the Poverty Reduction and Sustainability Programs that HIPC eligible countries must adopt. Many resource rich countries with heavy debt burdens, such as Nigeria and Kazakhstan are not eligible for HIPC.

17 International Energy Agency, "World Energy Outlook 2002" (September 2002): 71–73.

18 The proposals for enhancing FATF rules and for oil tagging are drawn from the excellent work of Jonathan M. Winer and Trifin J. Roule in *The Finance of Illicit Resource Extraction.*