

**United States Position  
Proposed IFC Investment in Vaalco Gabon  
(Gabonese Republic)  
November 21, 2013**

Like extractive sectors generally, the oil sector presents unique opportunities as well as challenges for economic development. The serious governance challenges that may exist in the extractive sectors, if not addressed properly, can offset the benefits that such projects can contribute to poverty reduction. In addition, extractive projects can present substantial environmental risks that, if not appropriately mitigated, have the potential to cause significant environmental harm. For these reasons, the United States took particular care in reviewing this project.

The United States appreciates that Vaalco discloses publicly all material payments made to the Government of Gabon as well as terms of its principal contracts, including its Production Sharing Contract with the Government. While the United States recognizes Vaalco's efforts to operate in a transparent manner, the United States does not believe that the Government of Gabon's systems for the accounting, auditing and public disclosure of payments made to the Government currently meet acceptable standards of transparency. The United States understands that the Government is taking certain positive steps, including seeking to rejoin the Extractive Industries Transparency Initiative (EITI). The United States encourages the Gabonese authorities to make extractive revenues transparency a priority and, furthermore, to publish Production Sharing Contracts and other agreements through which the Government engages companies.

In terms of assessing the project's environmental impacts, the United States recognizes that Vaalco has disclosed Environmental Impact Assessments (EIAs) for its investment in the Etame and SouthEast Etame and North Tchibala fields. However, the United States understands that the EIA for Vaalco's planned investment in crude-sweetening facilities will not be completed until the project design is ready in 2014. In addition, the timeframe for the disclosure of EIAs – which were published in September – falls short of the disclosure requirements mandated under U.S. law. The United States wants to emphasize again that transparency in the development of extractive industries is essential if the benefits of such projects are to reach the poor and contribute to the country's economic development. On the basis of our finding that Gabon's systems for tracking payments in the oil sector currently do not meet acceptable standards of transparency, and consistent with our legislative guidance in this area, the United States wishes to be recorded as voting against this project.