

PUBLISH WHAT YOU PAY

The Extractive Industries Transparency Initiative

Global Expert Workshop
“Collective Business Action and National Initiatives on Anti-Corruption”
Barcelona, 10th July 2006

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Thirst for natural resources

- Increased global need for natural resources to drive economic development and to supply energy to growing populations
- Concerns about energy security
- Massive investment in developing oil fields in new and more “riskier” markets (e.g. Africa)
- Coupled with high oil prices, oil revenues in poor but resource-rich countries could well dwarf increased aid flows from G8 countries
- Opportunity to use natural resource wealth for sustainable development, poverty reduction and economic growth in these countries

Oil boom – opportunity or threat?

- History shows that natural resource abundance is linked to higher levels of conflict, corruption and instability
 - Two-thirds of world's poorest people live in resource-dependent countries
 - Devastating conflicts in Angola, DRC, Liberia funded by resource revenues
 - Stolen millions in Nigeria by previous regime
- Outcome will depend on:
 - Strength and capacity of government and institutions to manage volatile sector
 - Accountability of corporations and governments to citizens
 - Transparency in management of revenues
 - Equitable distribution of revenues
 - All stakeholders taking responsibility

Resource revenue transparency

- Essential to provide basis for citizens to hold government accountable
- Key to curb corruption
- Millennium Development Goals
- Investment for host-countries
- Global energy security – more stable trading partners
- Improves company reputation
- Benefits long-term commercial prospects

Civil society campaign

- Publish What You Pay founded in 2002 by Global Witness, George Soros, Transparency International among others
- Now more than 300 members from over 50 countries
- National civil society coalitions working towards greater resource revenue transparency

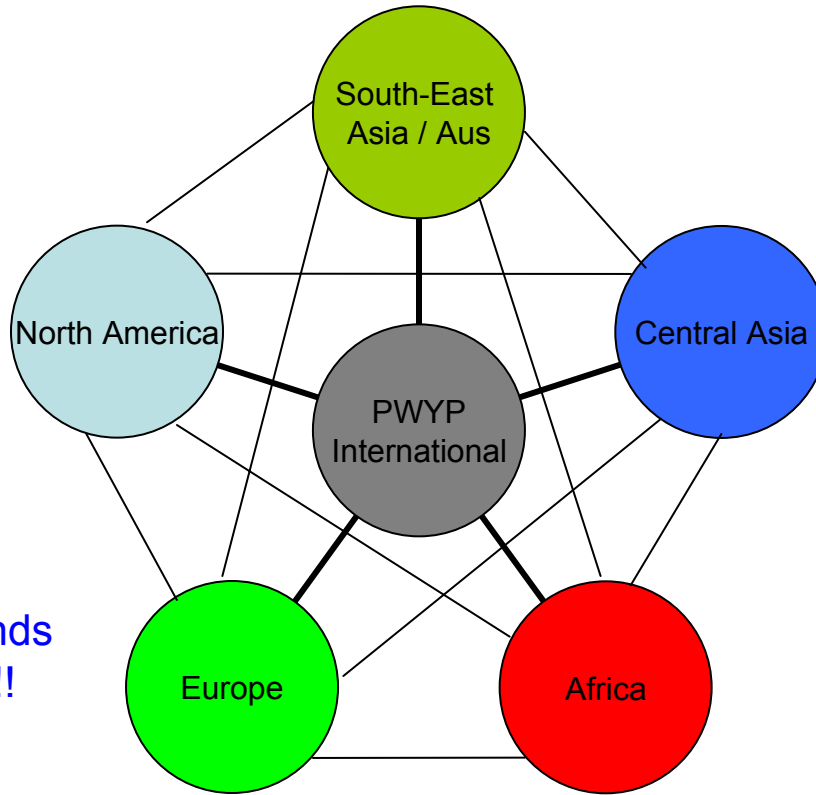
PUBLISH WHAT YOU PAY



Indonesia
Australia

Azerbaijan
Kazakhstan
Kyrgyz Republic
Georgia

United States



France
Germany
The Netherlands
Norway!!!!
United Kingdom

Chad
Cameroon
Congo Brazzaville
DR Congo
Ghana
Liberia
Nigeria
Sierra Leone

“Emerging” countries include Canada, Cote d’Ivoire, Mauritania, Peru...

Objectives

Three-fold:

- 1) Publish What You **Pay**
- 2) Publish What You **Earn**
- 3) Publish How You **Spend It**

Revenue transparency to be incorporated into international norms and standards

Publish What You Pay

Country-by-country disclosure of extractive company payments to governments by way of:

- International Accounting Standards
- Stock exchange regulation
- Export Credit Agencies
- Banks
- Individual company action (e.g. Statoil)

Publish What You Earn

Disclosure and independent auditing of government revenues from natural resource extraction through:

- Bilateral engagement with resource-dependent developing countries, i.e. technical assistance and funding
- International Financial Institutions
- Regional Development Banks
- Implementation of the Extractive Industries Transparency Initiative

Publish How You **Spend It**

Fair and equitable allocation of resource wealth:

- Transparent and participatory budget processes
- Effective revenue management frameworks at national and sub-national levels

Extractive Industries Transparency Initiative

- Launched in response to PWYP by Tony Blair
- Objectives the same as PWYP but...
- Voluntary at international level
- “Curious coalition” of multi-stakeholders – companies, governments, donors, IFIs, investors and NGOs
- Emphasis on host-government and local civil society ownership (which is good!)
- Down to governments to implement. Companies can “sign up” internationally but otherwise there no obligations unless it’s going ahead in a country in which they operate.
- 21 resource-rich developing and transitional countries are committed to implement
- Azerbaijan and Nigeria first to publish

Extractive Industries Transparency Initiative

- Criteria for implementation at national levels
 - Publication of payments by companies
 - Compliance by all companies (MNCs & SOEs) operating in the territory
 - Publication of revenues by governments
 - Independent auditing and reconciliation
 - Civil society participation
 - Work plan and capacity building

Dynamics of the EITI

- **International**

- Lots of rhetoric by companies, donors, governments
- Companies willing to engage openly with NGOs and other stakeholders at HQ-levels
- Western MNCs at forefront of discussions
- SOEs operating internationally (e.g. from China, Russia, Malaysia, India) different story altogether. Do not either have the systems set up to engage openly in multi-stakeholder process, or a tradition of doing so, or are simply unwilling to, or do not have opportunity to engage (EITI seen more as a Western/UK government driven process)
- People ask why engage with SOEs and BRICs if EITI a host-government driven process?
- Policy and negotiations driven mostly out of the UK by DFID with strong input by the World Bank
- PWYP mobilising force for civil society

Dynamics of the EITI

- **National**

- Reality and context of negotiations very, very different
- Companies seek not to be seen to be going against government as reputation, investments at stake
- Companies often unwilling to meet and discuss EITI implementation issues – sometimes defer to industry associations to do all the work
- SOEs and some international companies (particularly from the BRIC's) closed or do not have office or local representative with which to engage
- Some companies seek different standard of information disclosure (i.e. aggregated payments between all companies) in host countries, as oppose to normal practice in home country
- Companies often claim this information is commercially sensitive and its publication would have competitive disadvantages (Nigeria, Statoil show its not!)
- Civil society threatened, intimidated, under-resourced, and often no political space in which to engage in EITI discussions with government or industry

Tactics

- Press for clear and measurable benchmarks at international and national levels to be able to properly recognise positive progress made by companies and yet at same time expose laggards who need to up their game
 - ▶ “*Beyond the Rhetoric: measuring revenue transparency in the oil and gas industries*” published by Revenue Watch Institute and Save the Children UK in 2005.
 - ▶ Transparency International now managing the index (will also be extended to mining, home governments)
 - ▶ EITI developing a validation methodology to determine who is a “candidate” and who is a “compliant” country. Companies will be validated at national levels but will also have to submit an international report on steps taken
- Push for international standards on extractive industries transparency to shore up progress at national levels and to promote global level-playing field in the long-term

Limits of the EITI

- Only tackles transparency in the oil, gas and mining industries – other natural resource sectors can be equally as important
- Only focuses on upstream revenue flows from resource extraction
- Only deals with legitimate business transactions between companies and governments, hence...
- Will not put an end to all forms of corruption or bribe paying in these countries
- Will not put an end to corruption in management of revenue from the extractive industries overnight (need sub-national revenue reporting/auditing)
- Does not address revenue management and budget processes
- Does not address “Publish What You **DON'T** Pay”, i.e.
 - tax holidays/breaks
 - poor contractual agreements that mean significant losses or underwhelming amounts of revenue to host-governments
 - capital flight out of developing countries
- Not an international agreement or legally binding treaty, no current enforcement mechanism to kick unsupportive or less progressive companies out

Next steps and conclusion

- Focus on the mining sector
- Engage through bilateral and multilateral means with the BRICs and SOEs
- Continue to build trust with companies through open and consultative dialogue processes
- Ensure same standards of information disclosure/audits are applied at national levels in developing countries
- Global review and enforcement mechanisms to back up local monitoring efforts
- Transparency integrated into international norms and standards

www.publishwhatyoupay.org

www.eitransparency.org