

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)

London Conference, 17 June 2003

Statement of Principles and Agreed Actions

I. Objective

The objective of the EITI is to increase transparency over payments and revenues in the extractives sector in countries heavily dependent on these resources.

II. Background

The EITI was launched by the UK Prime Minister, Tony Blair, at the World Summit on Sustainable Development, in Johannesburg, September 2002. The Department for International Development has led the development of the initiative since then. The initiative encourages governments, publicly traded, private and state-owned extractive companies, international organisations, NGOs and others with an interest in the sector to work together voluntarily to develop a framework to promote transparency of payments and revenues.

The Initiative is grounded in a shared belief that the prudent use of natural resource wealth has the potential to provide the basis for sustainable economic growth and development.

A number of factors may make the wise management of natural resource wealth in the short- and long-term particularly difficult. These can include the unusually large size of the revenues in relation to national income, price fluctuations and the finite nature of these resources. The Initiative recognises that there will be transparency and accountability issues in other sectors that may be addressed using the approach developed under the EITI.

At Evian, the G-8 countries emphasised their determination to fight corruption, one of the key obstacles to economic and social development, and mismanagement of public revenues and expenditure. They agreed an action plan that includes piloting, on a voluntary basis, an intensified approach to transparency in countries where revenues from extractive industries (oil, gas and mining) are important. The EITI will help develop concrete measures to implement this plan.

Since the launch in September 2002, the Initiative has been developed by a multi-stakeholder group, including governments, oil, gas and mining companies, industry bodies, international institutions, investors and NGOs. It has been informed by broader anti-corruption and transparency policy discussions in the G8. The EITI dialogue process is open to all and the papers are available on the Department for International Development's website: www.dfid.gov.uk

III. Principles

Participants in the Initiative acknowledge the following principles:

- We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
- We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
- We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
- We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
- We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
- We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
- We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
- We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
- We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
- We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
- We believe that payments disclosure in a given country should involve all extractive industry companies operating in that country.
- In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations.

IV. Actions

Participants will work actively to support the objective of the EITI and actions that are consistent with each participant's individual functions and objectives. These will include:

- developing and testing methods of payment and revenue disclosure and publication in the extractive industries in countries heavily dependent on natural resources, wherever the government has decided to do so;
- working at the country level to implement reporting guidelines consistent with EITI principles, agreed between each host government and companies working in its country, along with support from civil society, international institutions and other relevant players. In piloting this approach, the EITI reporting guidelines will provide the basis for country-level procedures to ensure transparency in company payments and government revenue;
- developing effective links to other initiatives and actions designed to tackle corruption and improve transparency
- incorporating the principles of EITI into relevant, guidelines or operational policies, wherever appropriate;
- mobilising, where appropriate, technical advice, expertise and support for capacity building to help stakeholders implement and review the EITI;
- considering in what other ways, the objectives of the Initiative may be pursued.
- encouraging, whenever appropriate, companies, governments, and other interested parties to join the Initiative to develop effective and lasting solutions.
- keeping progress of the Initiative under regular review.

V. Participants

Governments: Azerbaijan, Belgium, Democratic Republic of Congo, Equatorial Guinea, France, Germany, Ghana, Indonesia, Japan, Kazakhstan, Mozambique, Netherlands, Nigeria, Norway, Sierra Leone, Timor-Leste, Trinidad and Tobago, United Kingdom, United States

Companies: AngloAmerican plc., Areva, BG Group, BHP Billiton, BP, Chevron Texaco, ConocoPhillips, De Beers, ExxonMobil, Newmont, NNPC, Repsol YPF, RioTinto, Shell, SOCAR, Sonangol, Statoil, Total, Xstrata

Industry Associations: API, ICMM, OGP

International Organisations: IMF, NEPAD, OECD, UNDP, World Bank

Civil Society: African Network for Environmental and Economic Justice, CAFOD, CARE International, Global Witness, Human Rights Watch, Open

Society Institute, Publish What You Pay coalition, Save the Children Fund, Transparency International, Transparency Kazakhstan.

Investors: Signatories to joint investor statement: Banco Fonder, Boston Common Asset Management, Calpers, Calvert Group Ltd, CCLA, Central Finance Board of the Methodist Church, Christian Brothers Investment Services, Co-operative Insurance Society, Deutsche Asset Management UK, Dresdner RCM Global Investors, Domini Social Investments, Ethical Funds, ethos Investment Foundation, F&C Management Ltd, Fidelity Investments, Frater Asset Management, Henderson Global Investors, Hermes Investment Management Ltd, Insight Investment Management, ISIS Asset Management, Jupiter Asset Management, Legal & General Investment Management, Local Authority Pension Fund Forum, Merrill Lynch Investment Managers, Morley Fund Management, New York State Common Retirement Fund, Nottinghamshire County Council, Progressive Asset Management, Railpen, Sarasin, Schroders Investment Management, SNS, State Street Global Advisors Ltd, Storebrand, Trillium Asset Management, University Superannuation Scheme, Walden Asset Management.

Additional Investors: M & G