Promoting revenue transparency for poverty reduction and development

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Natural resources, corruption and poverty

- Oil, gas and mining industries are critical sources of income for over 50 developing and transition countries around the world.

- Resource revenues should serve as a basis for economic growth and help fund poverty reduction if properly managed. Positive examples include Botswana (diamonds) and Norway (oil).

- However, there is no accountability over management of revenues and no information in budgets. Multi-national companies based in OECD countries do not disclose payments to governments. Host governments do not publish resource revenues in budgets. This leaves citizens without information required to hold government to account.

- Lack of transparency has exacerbated corruption, conflict, economic instability and poverty in many of these countries, as well as discontent in local communities, tarnished company reputations and threat to supply of energy (e.g. Niger Delta in Nigeria).

- Corruption and poverty ⇒ large number of oil and mineral dependent developing countries feature at the bottom of Transparency International’s Corruption Perceptions Index (www.transparency.org) and the UN’s Human Development Index (www.undp.org). Meanwhile, Norway, one of the world’s largest exporters of oil, is among the top countries on both indexes.
Missing money...

NGOs such as Global Witness have found an epidemic of scandals where huge amounts of income from natural resources was being misappropriated.

- No information on multinational or state company payments
- No government accountability over income
- Huge amounts of go money missing

Kazakhgate scandal
- Largest US foreign corruption investigation
- Totally opaque concession system
- US$80 million in kickbacks
- US$1 billion secret account in Switzerland
- Brutal repression of media

See report “Time for Transparency” at www.globalwitness.org
Other missing money scandals...

**Turkmenistan**

US$2-3 billion in secret accounts under personal control of dictator off-budget in Germany. Gas revenues significant amount of this money.

**Uzbekistan**

Allegations of 10% gold exports being siphoned off to Switzerland

**Angola**

1 in 4 oil dollars unaccounted for in late 1990s. Meanwhile 1 in 4 children die before the age of 5.

**Equatorial Guinea**

Washington Bank fined US$25 million for money-laundering involving country’s oil money
How to enhance transparency

You want to be able to track oil, mining and gas money into the national budget to stop it disappearing *en route*...

⇒ **Oil, mining and gas companies** should **Publish What They Pay** for every country of operation!

◊ Voluntary company disclosure problematic due to risk of retaliation by elites with a vested interest in maintaining opacity (BP in Angola 2001). Confidentiality clauses in contracts.

⇒ Sustained diplomatic pressure and development assistance conditionality to get **resource-revenue dependent governments** to **publish what they receive**.
Business case for transparency

- Investment fund managers worth US$8.3 trillion have stated:

‘legitimate, but undisclosed, payments to governments may be accused of contributing to the conditions under which corruption can thrive. This is a significant business risk, making companies vulnerable to accusations of complicity in corrupt behaviour, impairing their local and global "licence to operate", rendering them vulnerable to local conflict and insecurity, and possibly compromising their long-term commercial prospects in these markets’.

F&C Asset Management et al.
“Publish What You Pay”

- International 280-member NGO coalition founded by Global Witness, Save the Children UK, CAFOD, Transparency International and George Soros’ Open Society Institute in June 2002

- Calling for mandatory disclosure of company payments and for governments to “Publish What You Receive”. Eventual goal is “Publish How You Spend it!”.  

- National civil society coalitions across Western Europe, US, Indonesia, Africa (Angola, Chad, Congo, Cameroon, Nigeria etc) and Central Asia (Azerbaijan, Kazakhstan, Kyrgyz Republic) working towards greater revenue transparency.

- Working closely with “Revenue Watch” and other NGOs to support advocacy and research around resource revenue transparency issues at country levels in developing world and to provide tools, training and resources to civil society groups.

- In response to PWYP, Tony Blair and the British Government launched the Extractive Industries Transparency Initiative (EITI) in September 2002 at the World Summit on Sustainable Development
The Extractive Industry Transparency Initiative (1)

- Brings together payers (companies), recipients (governments) and users of information (civil society) as well as donor governments and investors at international and country levels.

- A voluntary multi-stakeholder initiative that has created templates for disclosure that will help track revenue information to improve governance and oversight in resource-dependent countries.

- Good work in Azerbaijan (first country to publish oil revenues), Nigeria, Trinidad and Tobago. Other countries like Kazakhstan, Bolivia, Niger coming on board.

- Timor Leste one of first countries to commit to implementation. Prime Minister Alkatiri attended first ever EITI International Conference in June 2003 to confirm Government’s wish to sign up.

- Other countries committed to implementation include: DRC, Cameroon, Ghana, Peru, Sao Tome e Principe. Full list at www.eitransparency.org along with other information on the Initiative.
The Extractive Industry Transparency Initiative (2)

In response to concerns about “free-riders” a set of minimum implementation criteria was agreed at March 2005 EITI Conference:

1. Regular publication of all material oil, gas and mining payments by companies to governments (“payments”) and all material revenues received by governments from oil, gas and mining companies (“revenues”) to a wide audience in a publicly accessible, comprehensive and comprehensible manner.

2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.

3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified.

4. This approach is extended to all companies including state-owned enterprises.

5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.

6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.
Country case studies (1)

Azerbaijan

- Coalition launched in early 2004 to monitor implementation of EITI following government’s decision to adopt reporting guidelines. See www.eiti.az.org

- Coalition representatives invited to join EITI committee to oversee implementation.

- Signed historic MOU with government and industry to govern EITI process and helped to select auditor.

- Oil revenues published in February 2005 – first country to do so under EITI. Coalition pushing for individual company disclosure. Discrepancies in reporting not addressed by government despite NGO pressure.

- August 2005: Second round of EITI oil revenue reports published and verified by auditor

- Azerbaijan joins the EITI International Advisory Group to help set future direction of the Initiative

- Coalition and government to host joint international conference on EITI (November 2005)
Country case studies (2)

Congo-Brazzaville (West Africa)

- Catholic Church makes historic declaration June 2002 recognising that oil has not been a blessing for the far majority of Africa’s citizens and recognises that improved transparency and governance over revenues is essential to reduce poverty. This paves the way for civil society across Africa to engage in PWYP.

- Publish What You Pay Coalition in Congo Brazzaville launched September 2003 by Catholic Justice and Peace Commission and local human rights and environmental groups.

- Government commits to implement EITI October 2004. IMF pressure results in some oil data being published on government website but significant gaps remain.

- Coalition organises historic multi-stakeholder roundtable on EITI – first time government and civil society have sat at the same table to talk openly about oil and transparency.

- Despite coalition’s efforts, Government has done very little to implement EITI so far. Where is pressure by IMF, France, companies etc? How to get laggards off the ground (incl. Ghana)?

- With no prior notice, Government announces first EITI consultative meeting September 2005
Country case studies (3)

Nigeria (West Africa)

- Local Publish What You Pay NGO coalition launched February 2004. President Obasanjo formally launches EITI the very same week.

- National Stakeholder Working Group set up, comprised of government, company, parliament and NGO representatives. Government commits to require disclosure of all individual companies’ payments, despite some resistance.

- Nigeria signs “Abuja Declaration” with Sao Tome and Principe for joint development zone, which requires individual disclosure of company data and extensive contract transparency provisions.


- Draft MOU launched to govern NSWG and civil society relations
Extractive Industry Transparency Initiative (continued)

Some positive progress so far at an international level...what next?

• “Host governments” - Adherence to criteria by implementing countries now needs monitoring (including in Kazakhstan) with particular emphasis on civil society consultation and capacity building. How to get more countries from South America, North Africa and Middle East on board?

• “Home governments” - Initiative currently housed in DFID (and World Bank). More international ownership and buy-in from US, Canada and Australia, Spain etc is needed. G8 recently endorsed EITI but will commitments be met?

• Needs sustained diplomatic outreach and real international leadership by governments, NGOs and companies. UN General Assembly Resolution would help give international credibility.

• Also want regulation on companies to disclose payments for every countries of operation (i.e. stock exchange listing rules, accounting standards) and conditionality on bilateral and multilateral economic assistance (i.e. IMF, World Bank, export credit agencies)
Recommendations (1)

Extractive companies should:

• Follow the example of Statoil and Talisman and publish payments (taxes, fees, royalties, signature bonuses etc) on country-by-country basis

• Voice support for EITI implementation in all countries of operation, i.e. transparency will encourage investment

• Ensure constructive participation in EITI internationally is matched at country levels, e.g. engage openly with civil society groups

• In Timor Leste, all companies should support highest levels of transparency standards being applied by the government (i.e. disaggregated reporting like Nigeria) thereby improving on first round of EITI report and going beyond the Azerbaijan model
Recommendations (2)

The Timor Leste Government should:

- Be commended for positive revenue transparency provisions included in recent laws passed by Parliament and approved by the President. But Timor needs to go beyond aggregate reporting to ensure that citizens have access to each company’s payments into the Petroleum Fund to ensure full accountability.

- Convene a multi-stakeholder process to select the auditor for verification of Petroleum Fund receipts - following Azerbaijan’s model for the selection of their EITI auditor.

- Publish a report indicating what steps the government has taken to adhere to each of the EITI implementation criteria, and where there are gaps identify how these will be addressed. A multi-stakeholder consultative process should be held to review the process taken by the Government to adhere to the EITI principles and criteria.

- Continue to hold consultations with the general public – and local communities in particular – regarding how oil revenues are being accounted for and spent, and seeking feedback on the best possible investment strategy for this money.

- Ensure that there is training for civil service staff on the use and implementation of the recent oil laws to ensure that its provisions are followed. This is essential to ensure that there is no ambiguity around the publication of information that is deemed “confidential”. All information should be presumed to be of public interest unless there is a very clear and important reason why it shouldn’t be disclosed.
Key issues for civil society in Timor Leste

- Capacity building and training programmes regarding:
  1) Monitoring of the petroleum laws and understanding the legal system
  2) Tracking revenues from the Fund into the budget and monitoring their expenditure at national and local levels

- Putting pressure on the Government to commit to a review of its EITI implementation strategy (using the planned November EITI Conference in Dili?)

- Linking up with the Publish What You Pay coalition and NGO partners in the South-East Asian region to do joint advocacy and research on petroleum companies operations in Timor Leste and putting pressure on the Timor Leste government via an international audience

- Collaborating with the media (at home and abroad) to publicise research and advocacy around petroleum revenue management and EITI in Timor Leste

- Setting up an efficient and proactive broad-based civil society platform to monitor the petroleum industry, revenue management, EITI implementation etc with due access to funding, resources and the skills necessary for playing an effective “watchdog” and campaign group

- Strengthening the role of the Catholic Church and Church-linked organisations to monitor petroleum revenues and to work with the civil society platforms
Revenue transparency is only part of wider reforms. Won’t address corruption over night but is…

- Critical in resource-rich countries that depend on resource revenues – major source of money

- Good for sustainable business and good for sustainable development by promoting a more stable investment climate

- Key to energy security objectives – to reduce risks to businesses and threats to supply of resources

- Fundamental if the international community is meet the Millennium Development Goals – two-thirds of the world’s poorest people live in resource-dependent countries
Termima kasih kawan-kawan!

www.publishwhatyoupay.org
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