



**global witness**

**16 June 2003**

**New standard on oil, mining and gas revenue transparency unveiled but will actions follow words?**

Tomorrow (17 June) UK Prime Minister Tony Blair will unveil a British-led action plan to improve the transparency of oil, mining and gas revenues worldwide. The Extractive Industry Transparency Initiative (EITI) is his response to a call for increased disclosure in the sector by the *Publish What You Pay* coalition of over 120 NGOs worldwide, including Global Witness.

The NGO coalition is calling for regulations to require multinational resource extraction companies to disclose what they pay (in taxes, royalties and other fees) for the products of the individual countries in which they operate through international stock exchange and accounting standards. In contrast, the EITI is focussed on encouraging producer governments to open their books voluntarily.

Global Witness is concerned that the UK's efforts may be undermined by US back-peddling on transparency in deference to its oil lobby as well as some producer governments in Africa and Asia which may be trying to conceal fiscal improprieties. Although some governments are considering regulation to advance the EITI, the US, for example, has absolutely insisted that the Initiative be voluntary and has shown a reluctance to commit to any concrete follow-up actions.

“We warmly welcome the efforts by the Prime Minister and the UK Government to improve transparency of resource revenues, which is central to improving governance and poverty reduction in many of the world's poorest countries”, says Simon Taylor, Global Witness director. “However, the purely voluntary approach endorsed today will not work in every country where it is most needed because many political and business elites have major vested interests in avoiding transparency.”

Gavin Hayman, Global Witness oil campaigner, also points out: “The EITI meeting itself takes place against an unprecedented series of ongoing corruption scandals in the extractive industry involving several billion dollars of financial impropriety. None of these scandals could have happened if major international companies had been required by law to publish what they pay because the missing money involved would have been detected a long time ago. Relying on voluntary action by industry and governments is a mistake.”

Ongoing scandals include: the ‘Elf Affair’ in France; embezzlement, offshore banking and tax-fraud allegations in Nigeria, Angola and Equatorial Guinea; and, perhaps most dramatically, the Kazakhgate scandal involving President Nazarbayev's alleged embezzlement of huge sums of oil money paid by major US companies in secret deals in Kazakhstan. The latter case has now led to the largest-ever Foreign Corrupt Practices Act investigation in the US. These events, and their collateral damage to democracy and development in their host countries, will be the subject of forthcoming Global Witness reports.

Whilst the EITI is a valuable first step to improve transparency in the extractive industry, its current voluntary approach is insufficient for real change. Global Witness believes that the international community must underscore the EITI with regulations to require companies and governments to come clean about the revenues generated by natural resource exploitation.

**Contact Gavin Hayman or Simon Taylor on +44 (0)207 272 6731 or +44 (0)7957 142 121**

## PRESS RELEASE



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### **Editor's notes:**

(1) Global Witness focuses on the links between the exploitation of natural resources and the funding of conflict and corruption. It is non-partisan in all its countries of operation. Global Witness has been co-nominated for the 2003 Nobel Peace Prize for its work in uncovering how diamonds have funded civil wars across Africa.

(2) The full Global Witness statement on the EITI can be downloaded at [www.globalwitness.org](http://www.globalwitness.org).

(3) Information on the Extractive Industries Transparency Initiative is available at: [www.dfid.gov.uk](http://www.dfid.gov.uk).

(4) The *Publish What You Pay* campaign was launched in June 2002 (see [www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)). It calls for stock market and international accounting rules to require oil, gas and mining companies to disclose their net payments to governments for resource access on a country-by-country basis. The campaign now has over 120 member NGOs in the North and South. The coalition believes that revenue transparency is an essential condition for alleviating poverty, promoting just and equitable development, improving corporate social responsibility, and reducing corruption in many resource rich developing countries, such as Algeria, Angola, Azerbaijan, Cambodia, Chad, Colombia, Congo-Brazzaville, Democratic Republic of Congo, Equatorial Guinea, Gabon, Guinea Bissau, Indonesia, Iraq, Kazakhstan, Nigeria, Papua New Guinea, Sudan, Turkmenistan and Venezuela.

(5) In addition to requiring companies to disclose their revenues, it is important to increase the transparency of government revenue streams from production sharing agreements and state-owned companies. Global Witness believes the EITI reporting principles must be reinforced by the imposition of appropriate conditionality on relevant bilateral and multilateral development assistance, resource-backed loans from banks, and export credit agency funding. In addition, the World Bank and the IMF should be required to mainstream revenue transparency across their lending and technical assistance portfolios.