

**SAVE THE CHILDREN UK STATEMENT TO THE EXTRACTIVE
INDUSTRIES TRANSPARENCY INITIATIVE
High Level Multistakeholder Conference 17 June 2003**

Save the Children strongly welcomes the Prime Minister's leadership in launching the Extractive Industries Transparency Initiative. We call on government and business leaders today to seize the opportunity to increase financial transparency, in order to alleviate the corruption and conflict afflicting more than 700 million poor children in mineral-rich countries.

Under the UN Convention on the Rights of the Child (Article 17) children have the right to information that affects their well being. This must surely include information about payments being made for their country's natural resources. Oil, gas and mining companies could, by simply publishing the revenues they pay governments, allow civil society to engage further with government on investment of these revenues. Host governments have obligations under the UNCRC to make this information available and to invest revenues in vital health and education services.

As a development agency our interest in financial transparency by the resource extraction industry is because we can identify a link between resource extraction, conflict and/or corruption and abuse of children's rights in many countries where we work. These include Democratic Republic of Congo, Sierra Leone and Liberia to name but a few. Most foreign investment in least developed countries takes place in extractive industries such as oil and mining. These industries are important in over 50 developing countries which are home to some 3.5 billion people, 700 million of whom are children forced to live on less than \$2 a day.

The link between mineral wealth and child poverty is significant - 12 of the world's 25 most mineral-dependent and 6 of the world's most oil-dependent states are classified by the World Bank as "highly indebted poor countries". If the revenues from such investments were transparently and accountably managed, they could provide the basis for successful growth and child poverty reduction in some of the least developed countries in the world. Furthermore clarity over the extent and nature of revenue flows is a vital precondition to peace talks and peace building in countries emerging from conflict.

Although it is not the responsibility of the expatriate private sector to tell a government how to spend its revenues, natural resource companies have a clear responsibility to provide information about payments to governments to the ordinary citizens of that country for whom the state holds resources in trust.

We are not calling on companies to provide commercially confidential information, but rather to publish the same basic data about tax payments and royalties to national governments that they must already provide in the North. Nevertheless, we know that individual companies are disadvantaged in their dealings with governments if they disclose information that other companies are willing to keep hidden. Therefore, they cannot be expected to comply with the disclosure requirements on a voluntary basis. They would benefit collectively if the disclosure requirements were imposed on them and so would the countries in which they operate.

Accordingly, we propose that global and mandatory measures should be put in place to require resource companies to publish a breakdown of all royalties, fees and other payments they make for the products of every country in which they operate.

By failing to provide adequate disclosure, the extractive companies and their governments become complicit in the disempowerment of the population of the countries to which their natural resources belong.

Furthermore it is in the interest of business to do publish information on revenue payments. Financial markets, analysts and investment funds would benefit from more information, as evinced by the recent public investor statement in support of revenue transparency in the oil, gas and mining industry. It is in long-term shareholder interest if these companies operated more transparently in all countries, thereby helping to generate a more stable and attractive environment for investment. Currently shareholders probably can get this information if they ask for it - but the stakeholders/citizens in the countries whose resources the government holds in trust are denied such information.

Whilst we welcome business and government leaders who are prepared to pilot meaningful approaches to revenue transparency in country, we remain concerned that a voluntary approach proposed in the Extractive Industries Transparency Initiative will fail to have significant impact where it is needed most. Voluntary approaches are likely to be adopted by progressive, far-sighted leaders but not by those who have most to hide.

For our part, Save the Children has used budget monitoring to help identify resource gaps. For example, if a national Poverty Reduction Strategy states that primary education is to be provided free of charge it is possible to make projections of the cost of this pledge and to track the real budget allocation for education. Budget monitoring also permits assessment of what proportion of allocated funds actually filters down to local level, as well as the initial division of monies. In some 20 countries around the world Save the Children works at local level to build capacity in education, health and social welfare services and we are aware of the chronic shortage and unpredictability of financial flows to services at this level. In addition to technical assistance to service providers, we support partner NGOs to engage in PRSP discussions with government over allocation of resources to vital services. In South Africa Save the Children Sweden has been supporting the Children's Budget Project at the Institute for Democracy in South Africa.

It is the responsibility of all actors - governments, business and civil society to seek a solution to this global problem. This meeting represents a golden opportunity to do so.

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