



**Room Document No. 4**

**9<sup>TH</sup> INFORMAL CONSULTATION BETWEEN THE OECD WORKING PARTY ON EXPORT CREDITS AND CREDIT GUARANTEES AND CIVIL SOCIETY ORGANISATIONS**

**PROMOTING REVENUE TRANSPARENCY IN THE EXTRACTIVE INDUSTRIES**

**PUBLISH WHAT YOU PAY (PWYP)**

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**Salle des Nations, Tour Europe, La Défense, Paris**

## Promoting Revenue Transparency in the Extractive Industries

In sum, we call on the OECD Export Credits Group – as part of the review of the Recommendation on Common Approaches on Environment and Officially Supported Export Credits – to match best international practice on revenue and contract transparency by incorporating a requirement on extractive industry companies wishing to access loans, guarantees and risk insurance to publicly disclose all material project payments to governments and for the release of foreign investment contracts.

Publish What You Pay (PWYP) is an international coalition of over 300 civil society organisations from more than 50 countries campaigning for greater transparency over the management of revenues paid by the extractive industry to resource-rich developing countries. Many of these members are based in resource-dependent developing countries representing the concerns of citizens whose lives are directly affected by the extractive industry and who seek greater accountability of the management of this vital source of income.

Oil, gas and mining industries constitute the major source of investment for many developing countries. Revenues from such investments are paid to host governments in the form of taxes, royalties and other payments. Such revenues, if properly managed, should serve as a basis for more equitable growth, poverty alleviation and economic stability. However, a lack of transparency in the payment and use of such revenues has meant that all too often, oil wealth has left only a legacy of corruption, poverty and conflict. Corruption is endemic in the extractive industries. Indeed, Transparency International ranked the oil and gas sector the third most corrupt industry in its 2002 Bribery Index.

Institutional investors representing over \$8.3 trillion in funds have recognised the core business and investment benefits of greater resource revenue transparency: *“Companies that make 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.”* (Investors’ Statement on Transparency in the Extractives Sector)

There is now formal acknowledgement by the World Bank, IMF and the EBRD that revenue transparency should be a fiduciary duty for all loans, investments, underwriting and technical assistance programmes to resource-rich countries. For example:

- Following a review of its social and environmental safeguard policies, the IFC now requires extractive industry clients to “publicly disclose their material project payments to the host government (such as royalties, taxes, and profit sharing), and the relevant terms of key agreements that are of public concern, such as host government agreements (HGAs) and intergovernmental agreements (IGAs)” for all new ‘significant’ projects. **Revenue transparency will be a condition of IFC support for all extractive industry projects by January 2007.**
- The EBRD’s new Energy Operations Policy states that it will “**require adherence to best international transparency and revenue management standards in projects for production, transportation, distribution and processing of oil, gas, and coal.**”

ECAs are estimated to support twice the amount of oil, gas and mining projects as all multilateral development banks. They therefore have a responsibility, *as a bare minimum*, to implement policies that are consonant with those of IFIs.

PWYP calls on the OECD to support the disclosure of extractive sector revenues paid to host governments and the associated foreign investment contracts in order to stem corruption and to increase the security and stability of resource-rich countries. The OECD should use the current review of the Common Approaches to ensure that all member-state ECAs require applicants who are sponsoring or financing upstream oil, gas and mining projects to publicly disclose that project's subsequent material payments to host governments, including royalties, taxes, profit sharing, signature bonuses and other payment streams.