

Secret's Out Briefing

Tearfund calls on G20 leaders to make progress towards a global standard on extractive industry transparency. Resource-rich countries need extractive industry transparency to be high on the G20's political agenda and for more G20 countries to commit at the 2014 Brisbane Summit to introduce mandatory reporting requirements.

The developing world lost nearly \$1 trillion due to illicit financial flows in 2011. These capital outflows stem from crime, tax evasion and other illicit activity. This is why Tearfund is calling for progress on transparency at the G20 – particularly in the natural resource sector.

The issue

About 3.5 billion people live in countries rich in oil, gas and minerals yet such wealth often provides little benefit to the people living in these countries, especially the poor. Many states with abundant resource wealth perform less well than their counterparts that are resource poor.

A lack of transparency in the payment and use of these revenues is a key barrier to removing this 'resource curse' and tackling corruption.

According to the Africa Progress Panel, Equatorial Guinea is richer than Poland but has a death rate 20 times higher.¹

Greater transparency in the extractive sectors would help to address this. We need the world's oil, gas and mining companies to publish what they pay to foreign governments on a country-by-country and project-by-project basis. This will enable communities in resource-rich countries have the information they need to hold their leaders to account for its expenditure - so that the revenues can be spent on vital services such as clean water, health and education.

"It would be great to have this type of information. It would make it easier for us to analyse the activities of companies and what the government actually receives and how it is spent."
Leader of an Iron-Nickel workers union in Monte Libano, North Colombia.²

The progress so far

2013 saw monumental progress on extractive industry transparency.

- In June 2013 the EU passed the Accounting and Transparency Directives, ensuring that all EU listed and large privately owned mining, gas, oil and logging firms are required to publish what they pay to foreign governments for their precious natural resources. EU member states now have two years to transpose this legislation into domestic law. This EU legislation follows on from the US Government's passing of the Dodd-Frank Act in 2010.
- Just ahead of the G8, Canada announced that it would establish similar reporting standards for extractive companies.

The G20 is key

But this needs to become a truly global standard so that extractive companies, wherever they are listed, headquartered or operate, are covered by equivalent legislation. With the G20 having a clear mandate to tackle corruption, and with the world's major oil, gas and mining companies being listed on G20 markets, commitments at the Brisbane Summit are vital in order to maintain the global momentum towards transparency.

Transparency sets the rules of the game that enables economic growth. G20 members, particularly Australia, Brazil, and South Africa – where many of the world's major extractive companies not covered by the EU and US legislation are listed and headquartered – must commit to legislation that requires oil, gas and mining companies to publish what they pay to foreign governments. This would create a level-playing field for extractive companies and enable corruption to be tackled.

In addition, there needs to be transparency in government budgets in order to empower citizens to see where government money is being spent. This budget transparency is needed globally, and the G20 can play a global leadership role by getting their own house in order and reaching the highest standards of budget transparency.

As the G20 Summit approaches it is crucial that natural resource transparency is given a high priority and put on the Brisbane Summit agenda.

Recommendations for the G20

- Ensure natural resource transparency is high on the G20 political agenda and discuss global progress at the Brisbane Summit in November 2014.
- Support the development of a global transparency standard for the extractive industries. Legislation that requires oil, gas and mining companies to publish payments made to governments on a country-by-country and project-by-project basis, equivalent to the EU Accounting and Transparency Directives should be adopted by all G20 countries.
- G20 leaders should ensure global progress on budget transparency and get their own house in order by reaching the highest standards of budget transparency.

1. Africa Progress Panel Report (2013) *Equity in Extractives*
2. Tearfund (2010) *Unearth the Truth* report