

Black gold or the devil's excrement? A choice for the international community
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It is a sad fact of life that many of the world's leading oil producing countries are politically and socially unstable. Natural resource wealth has not translated into economic wealth and prosperity for many developing countries, but instead has plunged millions of people into poverty, thrown economies into crisis, and drawn many communities into conflict.

Oil supplies approximately 40% of the world's energy and 96% of its transportation energy. From now until 2020, world oil consumption will rise by about 60%. Investment will also significantly escalate in the natural resource sector in developing countries, as industrialised countries search for more secure and plentiful sources for energy supply. Regions such as West Africa offer such opportunities.

This presents many challenges to the international community. In particular, in preventing the negative effects of resource extraction already experienced in many developing countries from persisting. The "paradox of plenty" in resource-rich but poor countries is exacerbated by the lack of transparency. Specifically, company and government accountability for payments made and revenues received is fundamentally deficient.

At present there is no feasible means to know precisely the amount of revenues provided by extractive companies to producer countries in the developing world. Companies registered in the North are not required by law to provide a country-by-country breakdown of payments made. Companies should not be telling governments what to do with the revenues they provide, but simply make available payments information that is routinely disclosed in the North. However, companies are prevented, if willing, from unilaterally disclosing such information because of confidentiality clauses in contracts with host-governments and the threat to its competitive advantage. There is no basis by which civil society can hold their governments accountable because there is no way to measure what they are meant to be managing.

International companies, including industry giants BP, ChevronTexaco, ExxonMobil, Shell and Total, have substantial operations in the developing world. The payments they and state-owned companies make to national governments are an important source of revenue. In some cases, governments are virtually dependent on natural resource revenues for income.

Indeed, these revenues should be an engine for economic growth, sustainable development and poverty alleviation. However, high dependency on this sector for income, the lack of government infrastructure, and fundamental poor governance allows revenues to be embezzled for private gain by ruling elites who are protected by the lack of budgetary transparency. They are also sheltered by the lack of capacity and resources of civil society and watchdogs, and in many cases, the absence of democratic space.

Companies turn a blind eye to corruption and poverty in the developing countries where they operate by not being transparent about their financial dealings with the

government. International Financial Institutions, such as the World Bank and IMF, and lending agencies provide crucial financing and loans for extractive industry investments and projects, but do not enforce disclosure of payment and revenue information. This does not give civil society even a chance to monitor their government's handling of the money made from the resources that by law belong to the people. Other international bodies such as the UN, EU and G8 have sat back and watched as these countries fall further into worsening political and social strife, and only offer voluntary ways to fix the problem that actually has substantive negative effects on Northern economies. Corruption is anti-business and it is also anti-development.

The Publish What You Pay (PWYP) international coalition of NGOs and civil society organisations was launched in 2002 with a call to extractive companies to disclose the net amount of payments (taxes, fees, royalties and other transactions) made to national governments in all countries of operation. The coalition advocates a regulatory approach to implementing company payments transparency. Specific mechanisms that the coalition proposes include disclosure rules for companies listed on international stock exchanges, and for non-listed companies (namely state-owned) transparency as a condition for financing and loans by the IFIs and export credit agencies.

PWYP is the first and essentially easiest step to take. Requiring governments to “publish what you earn” is a parallel step that would lead to more accountable system of revenue management in which civil society could play a role. However, voluntary measures generally favoured by the industry and governments (both in the North and by producer countries) will fail to deliver, particularly in the more difficult, less democratic and most corrupt countries where there are benefits to be gained from continued lack of transparency for a few.

Transparency is about building trust between citizenries and governments, and between local populations and foreign companies operating on their soil. PWYP is not a fix-all solution but a crucial first step on the road to improved transparency, which more broadly is a necessary condition for democracy, good governance, and corporate social responsibility. With the sustained dependency on oil and other natural resources in both the North and South, transparency in the extractive industries is an even more essential measure.

But if – or indeed when – voluntary efforts if continued to be favoured by governments, companies and other bodies fail to be effective on a global scale, how long will it be before we say, “enough is enough”? How long do we have to wait before this very achievable and practical ask for companies to publish what they pay and governments to publish what they receive is comprehensively and sufficiently implemented? Why does one child in Angola die every three minutes from preventable diseases when there is billions of dollars in oil revenues flowing into the country that could address this?

Governments, international institutions, business leaders and the whole international community have a choice to make: act now with binding solutions that will guarantee benefits to millions of poor citizens worldwide and to their own vested interests too, or watch as the situation deteriorates.