

Transparency International (UK)



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Transparency in Corporate Payments to Governments

Since mid-2000 TI(UK) has been working with other NGOs to call for greater transparency over payments by companies to governments, especially in conflict zones where funds are easily diverted away from official state budgets into private pockets and the fuelling of warfare. Initially the focus for this activity was Angola, where hundreds of thousands of dollars have failed to reach the state budget while the populace at large suffers from civil war and lack of even the most basic services. As the project continued it became apparent that the problem had to be addressed on a much wider stage. Several leading NGOs have now come together to draft and to sign up to the following statement. TI(UK) will continue to work with government, companies and regulatory authorities on this issue, and along with SaveTheChildren, Oxfam, TearFund and Global Witness (the initiator of much of this work) has formed a steering group to give it maximum publicity and to search for constructive ways forward.

Transparency International (UK) fully endorses the following joint statement.

Call for full disclosure of revenues to all national governments by transnational natural resource companies and related national subsidiaries and business partners.

“Most foreign investment in least developed countries takes place in extractive industries such as oil and mining. Revenues from such investments make their way to governments in the form of taxes, fees and other payments. If such revenues were effectively and transparently managed, they could provide a possible basis for successful growth and poverty reduction. However, all too often, the state and other institutions managing these resources are unaccountable to the ordinary citizens of their country and become a vehicle for embezzlement, fraud and corruption. In more extreme cases, access to such resources intensifies regional conflict and the resulting political, economic and social disorder may be exploited to facilitate large-scale misappropriation of state assets.

“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. If companies do not clearly publish what they pay to national governments, it is impossible for the civil population to call their government to account over the management of rents earned from ‘their’ resources. If they fail to provide information on payments to national governments, resource companies become complicit in the disempowerment of civil populations and tacitly support the actions of unaccountable

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(and, in some cases, privately controlled) state institutions. This problem extends to all countries where natural resources provide a major proportion of state income, where corruption associated with state income is of concern, and where companies are not fully transparent about their payments to national governments, such as in Angola, Azerbaijan, Burma, Chad, Cambodia, Democratic Republic of Congo, Equatorial Guinea, Gabon, Indonesia, Kazakhstan, Sudan and Nigeria. Companies are not being called upon to provide commercially confidential information, but rather to publish the same basic data about aggregated tax payments and royalties to national governments that they must already provide in the North.

“Full disclosure of payments, royalties and swaps to all national governments is a necessary precondition to deliver just and equitable development by assuring more open decision-making and helping to prevent the erosion of human rights that often accompanies corruption. Fiscal transparency should also form a central component in the ‘good governance’ agendas of international development agencies and may help to lessen the scope for conflict and serve as a conflict prevention ‘tool’ against privatised resource wars.

“Thus, all national governments should consider appropriate strategies to require natural resource companies to adopt a policy of full transparency in their worldwide operations. Specifically:

- Natural resource companies should render summary figures of taxes and other payments (including royalties and swaps) made to national governments publicly available for all their countries of operation. Data should be listed as total net payments to national authorities for each country of operation and should be provided in the parent company’s consolidated annual reports and returns to investment authorities and in the reports of national subsidiaries.
- Parent companies should also be required to publish the names and locations of registration of their subsidiary companies operating in each country and provide clear extraction data by country.
- All resource extraction companies listed on national stock exchanges should be required to publish a breakdown of annual revenue payments for every country of operation.