

# Transparency International (UK)



Policy Brief PB-003

January 2003

## A TI(UK) Perspective on:

**PWYP: The “Publish What You Pay” Campaign, and**

**EITI: The UK Government’s “Extractive Industries Transparency Initiative.”**

### Introduction

In many resource-rich countries there is little transparency with respect to government revenues and frequently there are suspicions of illicit diversion, to benefit elites, of funds which should be going to promote the well-being of the general population. Very large legitimate payments, including royalties and signature bonuses, are illegitimately diverted to uses outside national budgets. IMF investigations into oil revenues in Angola, for example, support the NGO and media allegations. The problem is, however, far more widespread, extending to other extractive industries and to other countries, including many of the world's poorest.

Disclosure of country by country figures for payments made to host governments would put into the public domain information not currently available by any other means and so assist civil society in those countries in holding their governments to account.

PWYP is a campaign backed by more than 70 NGOs calling for the mandatory disclosure, by natural resource extraction businesses, of all payments they make to national governments in the countries where they operate.

EITI is a UK government initiative aiming to bring governments together to address this transparency issue, along with companies and civil society, recognising the seriousness of the problem but without, at this stage, a recommended solution and allowing for, if not actually favouring, a voluntary process.

### History

PWYP springs out of work which started three years ago following the publication of a report on Angola by the UK-based NGO, Global Witness (GW). One of TI(UK)'s regular evening meetings in 2000 was devoted to the GW Angola report, and we joined with GW and others in an attempt to persuade the UK government to take up the issue. A small group of NGOs (Save The Children (UK), Oxfam, TI(UK) and GW) along with representatives of several oil companies met with officials of the Foreign & Commonwealth Office, at this stage still with a focus on Angola, then in late-2000 a further tripartite meeting was convened, chaired by Britain's then Minister for Africa, Peter Hain.

Following changes in ministerial appointments this initiative lost its early momentum but the NGO interest continued to expand. In early 2001 BP announced that it would disclose its payments in Angola, but quickly ran into difficulties with the Angolan government. It was now recognised, both by the NGO group and by several major oil companies, that only the creation of a level playing field by means of some form of regulatory scheme could be effective; also that it had to be a global requirement, not focused on one country alone. A small steering group of NGO representatives including TI(UK) was formed and a joint statement issued, which other NGOs were invited to sign.

In April 2001 TI(UK) published its three-year strategy paper, *Freed from Corruption*, and since then has included work on this theme within the broader category: "Financial transparency related to the funding of both civil and international conflict, especially in the extractive industries." The NGO steering group met with DFID (the UK Department for International Development) in March 2002, and GW in particular continued to publicise the issue internationally, whilst TI(UK) took initial soundings with the Financial Services Authority with a view to exploring the possibility of regulating through Stock Exchange rules. Other approaches were made, principally at this stage by GW, in the USA.

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Up to this point the campaign had no name, but in mid-2002 was relaunched as "Publish What You Pay", backed by the Open Society Institute and the financier and philanthropist George Soros, whose direct appeal to Tony Blair was a major factor leading to the adoption of extractive industry transparency as one of Mr. Blair's themes at the 2002 Johannesburg summit, and to the establishment of "EITI" - led initially by the Prime Minister's Strategy Unit then by the Department for International Development under Secretary of State, Clare Short.

### Recent Developments

Although this brief paper is by design focused on the TI(UK) perspective our own contribution is, of course, only one small part of a much larger whole.

Since the launch of PWYP in mid-2002 the campaign has built up considerable momentum. There are now PWYP groups of NGOs in several countries, and intensive lobbying has made the term "Publish What You Pay" widely recognised in business, government and media. A number of other TI national chapters have signed up to the campaign. Several pieces of research have been carried out, with important contributions from CAFOD. Recently, CAFOD and Save the Children UK have jointly been chairing the PWYP steering group. A co-ordinator, jointly funded by OSI and other NGOs including TI(UK), has been recruited and now works from the OSI office in London, just a few desks away from TI(UK) staff (as we currently share an open-plan space).

Following the launch of the EITI process by government TI(UK) in early-November 2002 hosted a debate in London with four main speakers from industry, civil society, government and the investment community. At the end of that month David Murray and Susan Freeman attended the first stakeholders' meeting called by DFID to discuss the development of the initiative. In early December David Murray participated in a conference organised by the World Bank, and hosted in Paris by the French government, to discuss research papers relevant to this topic.

In February 2003, at the first EITI international workshop bringing together developed and developing world governments, civil society and companies, David Murray will be representing TI, and Emy Hafield of TI-Indonesia has been invited by DFID as one of the developing world NGOs. It is hoped that this event will produce a clear, actionable output and lead to a full-scale intergovernmental conference at ministerial level in the middle of the year.

### In summary:

1. The initiative has moved beyond its original narrow focus to cover all extractive industries globally.
2. The campaign is not primarily against companies; it deals with payments which are legitimate but which, often subject to host-government-imposed confidentiality clauses in contracts, are largely hidden. Many companies support the principle of disclosure but are concerned that unless there is a "level playing field" those companies which do disclose their payments may be disadvantaged in future negotiations and even be held to have breached the terms of their existing contracts.
3. The debate as to whether a solution lies in mandatory or voluntary processes is still very live.
4. The PWYP campaign focuses on corporate regulations as the most promising instruments for change, including stock exchange rules and accounting standards.
5. Whilst, as noted above, many companies support PWYP's arguments for a mandatory approach, others object to this (whilst privately admitting that they may not comply with a voluntary code). TI(UK) supports both PWYP and EITI and, as described above, is intimately involved in both. Are we being somewhat schizoid in our attitudes? We think not. Whilst we cannot at present see anything other than regulation creating a level playing field for disclosure, we see the need to continue in open minded debate.
6. These initiatives have so far emphasised corporate disclosure as a means of making available information which is not available by any other means. Longer term, this is not sufficient. TI(UK) is currently studying the potential for bringing together this element of revenue transparency with national fiscal transparency (on which the IMF has done considerable work) and government budgetary processes (on which the OECD has developed standards).
7. A major challenge is that whilst several developed world governments now recognise the need for action this is not true of all and, furthermore, this kind of transparency is seen as highly undesirable by elites in some host countries as it could reduce their degree of private control over their countries' wealth.
8. Finally, once a degree of transparency is achieved there will be a need for capacity-building programmes to help civil society in host countries analyse and utilise the information, and probably also in the finance departments of some governments and government-owned companies.

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