

FINAL

EITI London Conference 2005, 17 March – Statement of outcomes

I. Preamble:

Paragraph 1: The public use of revenues from oil, natural gas and minerals should be an important engine for economic growth and social development. Mismanagement of these revenues can lead to poverty, corruption and conflict. Alongside other efforts to improve public financial management, greater transparency may help to build accountability, enhance the operations of governments and increase the participation of citizens. The Extractive Industries Transparency Initiative (EITI) supports increased transparency over payments and revenues in interested countries in which the extractives sector plays a significant economic role.

Paragraph 2: Resource rich countries, extractive industry companies and the international community have a common interest in supporting efforts to increase transparency and accountability. Many countries have already made significant progress in this area. There are also several complementary international transparency initiatives, including: the UN Convention Against Corruption; the Global Compact launched by the UN Secretary General in 2000; the G8 Declaration on fighting corruption and improving transparency agreed at Evian in 2003 and transparency compacts with four countries agreed at Sea Island in 2004; the EU Transparency obligations directive adopted in December 2004; the IMF draft guide on resource revenue transparency; and the OECD Guidelines for Multinational Enterprises of 2000 and the Principles of Corporate Governance adopted in 2004.

Paragraph 3: On 17 March 2005, the participants in EITI met in London. The objectives of the meeting were: to reaffirm the EITI principles, agreed at Lancaster House in June 2003; to discuss progress to date with implementation of EITI; and to strengthen and broaden EITI. Based on the progress achieved since the June 2003 meeting, the participants also agreed a number of progressive and practical next steps, including the recognition of countries' achievements, towards improving the voluntary framework to enhance transparency of revenues and payments in the oil, natural gas and mining sectors.

II. Outcomes of EITI London Conference 2005:

Paragraph 4: All participants reaffirmed their commitment to the EITI Principles. The participants agreed that transparency in the publication of payments by companies to government, and of revenues received by those governments continues to be an important first step in increasing accountability and encouraging the effective use of these resources and should be pursued vigorously.

Paragraph 5: Participants warmly welcomed the encouraging progress that had been made by several countries to improve transparency in the management of oil, gas and mining revenues – noting in particular the recent progress in Azerbaijan, the Republic of Congo, Ghana, the Kyrgyz Republic, Nigeria, Peru, Sao Tomé e Príncipe, Timor Leste and Trinidad and Tobago. They also commended the support given to EITI by companies, investors, non-governmental organisations, international organisations and by other countries.

Paragraph 6: Greater efforts are now required both at the country level and internationally. The participants called on all interested countries dependent on oil, natural gas or mineral resources to implement the initiative. They also encouraged the international community to support the initiative either through the EITI Trust Fund or by directly supporting implementation in countries through EITI and complementary transparency efforts. They also called on all companies, investors, non governmental organisations, regional associations and international institutions that were not already supporting EITI to do so.

Paragraph 7: Participants agreed on the importance of clear guidance to support implementing countries and companies. Such guidance should continue to reflect implementing countries' circumstances and to be refined as further experience in implementation is gained. They agreed that certain actions are necessary for effective implementation in all countries. At this stage, participants endorsed the following EITI Criteria:

- Regular publication of all material oil, gas and mining payments by companies to governments ("payments") and all material revenues received by governments from oil, gas and mining companies ("revenues") to a wide audience in a publicly accessible, comprehensive and comprehensible manner;
- Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
- Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.
- This approach is extended to all companies including state-owned enterprises.
- Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
- A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

Implementing countries were encouraged to exceed these Criteria where possible, in line with the principles of the IMF *Code of Good Practices on Fiscal Transparency* and the good practice examples in the accompanying *Manual on Fiscal Transparency*. Participants welcomed the *EITI Source Book* as an additional, illustrative guide to implementation.

Paragraph 8: Looking forward, the participants recognised that, whilst implementation would be driven by the resource rich countries themselves, EITI was an international effort and continuing support would be needed from the international community. For the time being, the UK Government would continue to act as the International EITI Secretariat with support from the World Bank and the IMF. The Secretariat would also seek guidance from an international advisory group. The international advisory group would meet regularly on an informal basis and would include representatives from supporting countries and the implementing countries, as well as from companies, civil society organisations, investors and other international organisations.

Paragraph 9: In conclusion, participants expressed their confidence that EITI will continue to expand participation, and to broaden, deepen and strengthen implementation, in keeping with its voluntary nature. In close coordination with the international advisory group, EITI should proceed with further work to define and refine proposals on increasing revenue transparency in the extractive industries as part of the international effort to promote

improved budget transparency and sound financial management and accountability. The next EITI Conference will take place in March 2006. By that time, participants will have agreed: an approach to the future management of international EITI support which recognises specific country circumstances, builds on existing institutions and is sustainable; incentives for implementation where appropriate; and a suitable process for evaluating implementation.

Participants :

[list of countries, companies, NGOs etc]

Annex: EITI Principles agreed at Lancaster House, 17 June 2003:

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.
7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make - including governments and their agencies, extractive industry

companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations.

