

7 December 2004

Commission for Africa
c/o Secretariat to the Commission for Africa
20 Victoria Street
London
SW1H 0NF

Dear Commissioner,

Promoting Transparency of Natural Resource Revenues in Africa

The International Council on Mining and Metals (ICMM), which represents sixteen mining and metals companies¹, is part of the broadly-based alliance of companies, international organisations, investors and NGOs working together in support of the Extractive Industries Transparency Initiative (EITI) worldwide. ICMM commends the Commission for Africa for its commitment to promote transparency of natural resource revenues in Africa.

We share a common goal. There is no doubt that improving governance of natural resource revenues is critical. Only through collaborative effort can we create a more stable future for resource-rich developing countries around the world.

It is for this reason that we write to share some suggestions we hope the Commission will consider. In making these suggestions we recognize that revenue transparency issues apply to all resource endowed countries, including those located outside Africa, and therefore we support all government initiatives to adopt the same principles as those advocated here.

As you are aware, extractive industries (oil, gas and mining) are a major source of revenue for many African countries. In a number of countries, when coupled with good governance and the rule of law, such an endowment has been a motor for development. Regrettably in some other cases, this has not been the result. It is now widely accepted that greater transparency is an essential pre-condition for improved governance, accountability and management of resource revenues. This in turn can foster economic growth and alleviate poverty. It was with this objective in mind that the British Prime Minister, Tony Blair, launched the EITI at the Johannesburg World Summit on Sustainable Development in 2002 to explore ways in which greater transparency regarding payment flows between resource companies and host governments could be achieved.

¹ Alcoa, Anglo American, AngloGold Ashanti, BHP Billiton, Freeport-McMoRan Copper & Gold, Lonmin, Mitsubishi Materials Corporation, Newmont Mining, Nippon Mining & Metals Co., Noranda, Placer Dome, Rio Tinto, Sumitomo Metal Mining Co., Umicore, WMC Resources and Zinifex.

One of the elements that we are most pleased about is that the EITI has become a country led and owned process. Nigeria and Ghana have taken a welcome lead amongst African nations by actively working towards the implementation of reporting guidelines for the publication of payments and revenues with the support of multi-stakeholder advisory groups. In addition, we would like to commend Presidents Olusegun Obasanjo of Nigeria and President Fradique de Menezes of São Tomé e Príncipe for their joint commitment to full payments and revenue transparency in the Joint Development Zone between the two countries using EITI reporting guidelines.

The EITI has attracted a great deal of interest: several other African governments are considering ways in which to participate in the initiative. Civil society organizations across Africa are increasingly calling on their respective governments to implement the EITI and to be involved in the development and oversight of the initiative. However, at this stage, very few African governments have matched the commitments made by Ghana, Nigeria and São Tomé e Príncipe. The EITI has had encouraging progress to date, but it is only if it is widely emulated across Africa that it will fully realise its promise. The Commission now has a unique opportunity to make the EITI the catalyst for a genuine transformation in the governance of Africa, by helping to secure its broad acceptance by a critical mass of resource-rich countries in the region.

We therefore urge the Commission for Africa to endorse explicitly the EITI and to call on other African governments to implement the initiative. We also respectfully suggest that the Commission should call upon the international community to devote greater diplomatic will to the initiative and provide support for capacity building in order to encourage other African governments to actively participate.

Other options to help bolster the EITI and strengthen transparency include:

- A General Assembly Resolution endorsing the EITI process (similar to the resolution that underpinned the “Kimberley Process” on conflict diamonds);
- The inclusion of revenue transparency criteria in NEPAD’s peer review mechanism; and
- Enhancements to the due diligence criteria and oversight mechanisms employed in the lending and technical support programmes provided by International Financial Institutions such as the World Bank and IMF.

Many African countries are in the midst or on the cusp of major extractive industry developments. Now is a critical time to seize the opportunity afforded by the Commission’s pledge to work on transparency of natural resource revenues so that they serve as a platform for development in Africa. We look forward to working with you in your development of concrete recommendations in support of that goal.

Yours sincerely,

Paul Mitchell
Secretary General