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Ms Janet West
Head, Export Credits Division
OECD
2, rue André Pascal
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France

4 October 2005

Re: Forthcoming revision of the Action Statement on Combating Bribery in Officially Supported Export Credits

Dear Ms West,

The OECD Export Credit Group is now considering the revision of the Action Statement on Combating Bribery in Officially Support Export Credits. UK and US members of the Publish What You Pay Coalition (PWYP) wish to stress the importance of including revenue and contract transparency requirements for the extractive industries within the Statement. With respect to the extractive industries, we believe this level of transparency should be a condition for all export credit agreements.

PWYP is an international coalition of over 290 anti-corruption and development non-governmental organisations. The coalition seeks greater transparency in the payment and receipt of extractive industry revenues in developing countries. Many of PWYP's members are Southern-based NGOs representing the concerns of citizens in resource-rich countries whose lives are directly affected by oil, gas or mining. Without clearer information about the revenues generated by natural resource exploitation and the conditions of contracts such as Production Sharing Agreements, it is almost impossible for citizens to hold their governments accountable. In this situation corruption, poverty and conflict can flourish. Transparency International ranked the oil and gas sector the third most corrupt industry in its 2002 Bribe Payers Index.

Greater revenue transparency in the extractive industries has been widely recognised as beneficial to the interests of extractive companies by contributing towards a more stable investment climate. Institutional investors from Europe and the United States – representing some US\$8.3 trillion in funds – have highlighted that *“legitimate, but undisclosed, payments to governments may be accused of contributing to the conditions under which corruption can thrive. This is a significant business risk, making companies vulnerable to accusations of complicity in corrupt behaviour [and] rendering them vulnerable to local conflict and insecurity, and possibly compromising their long-term commercial prospects in these markets.”* Thus, promoting transparency is consistent with international objectives on energy security, good governance and corporate responsibility.

As a major underwriter of investments in the extractive industries, Export Credit Agencies have a key responsibility to uphold best practice on disclosure and transparency. PWYP members therefore work with Corner House in the UK and at an international level with the International NGO Campaign on Export Credit Agencies (ECA Watch). We support the specific recommendations in the ECA Watch submission: taken as a whole they will greatly strengthen the Action Statement and the ability of ECAs to combat bribery effectively.

We particularly wish to highlight the following ECA-Watch recommendation:

The Action Statement should commit ECAs to develop transparency requirements with regard to extractive industries in line with emerging standards for Multilateral Development Banks as recommended by the World Bank's Extractive Industries Review, the IMF and the US legislature and government. It should commit ECAs to require applicants for cover to publicly disclose investment contracts between and revenue payments from companies involved in extractive industries and host governments as a condition of cover.

Amending the OECD Action Statement to address revenue transparency is urgently needed to make sure it keeps pace with best practice by governments and international financial institutions (IFIs). Key recent developments include:

- **Commitment by the G8 at Gleneagles in July 2005 to increase support for the Extractive Industries Transparency Initiative as part of work to combat corruption and increase transparency.** The communique underlined that the World Bank, IMF and regional development banks should support resource-rich countries in implementing transparency principles. It also stated the need to strengthen anti-bribery requirements for those applying for export credits and credit guarantees.
- **Commission for Africa Report which states that ECAs “have a poor record of using their unique position to encourage better governance”;** a clear recommendation that ECAs must do more to combat corruption and promote good governance: *“developed countries should encourage ECAs to be more transparent and require higher standards of transparency in their support for projects in developing countries.”*
- **Formal acknowledgement by the World Bank, IMF and the EBRD that revenue transparency should be a fiduciary duty** for all loans, investments, underwriting and technical assistance programmes to resource-rich countries. By September 2006 revenue transparency will be a condition of all MIGA insurance and guarantees to extractive sector projects. ECAs are estimated to support twice the amount of oil, gas and mining projects as all multilateral development banks. They therefore have a responsibility, *as a bare minimum*, to implement policies that are consonant with those of IFIs.

In the UK we have already raised the need for increased disclosure requirements for the extractive sector with the Export Credits Guarantee Department. In the United States PWYP members are pressing for transparency requirements in the Export Credit Agencies

reauthorization bill that is planned for 2006. As these issues are just as important to other ECAs, it is critical to take a multilateral approach to developing a common policy on transparency and disclosure requirements for the extractive industries. We ask the members of the OECD Working Group on Export Credits to take our recommendations on board and to use the revision of the Action Statement to ensure that ECAs actively promote transparency and increased accountability in the extractive industries.

Yours sincerely,



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