

109TH CONGRESS
2^D SESSION

H. RES. 995

Promoting transparency of natural resource revenues in resource-rich developing countries to help combat corruption, encouraging democracy and accountable government in such countries, and ensuring energy security through a more stable operating environment in such countries.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 12, 2006

Mr. SMITH of New Jersey (for himself and Ms. WATSON) submitted the following resolution; which was referred to the Committee on International Relations, and in addition to the Committees on Financial Services and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

RESOLUTION

Promoting transparency of natural resource revenues in resource-rich developing countries to help combat corruption, encouraging democracy and accountable government in such countries, and ensuring energy security through a more stable operating environment in such countries.

Whereas, according to Freedom House rankings of freedom in the world, among the top ten petroleum exporting nations of the world, only Mexico and Norway can be considered free, democratic nations, while the others—Kuwait, Nigeria, Venezuela, Algeria, Iran, Russia, Saudi

Arabia, and the United Arab Emirates—exhibit limited elements of democracy;

Whereas mismanagement and misappropriation of billions of dollars worth of revenues from the extraction of natural resources have occurred in some resource-rich African countries and such funds have ended up in the hands of autocratic rulers who are less than accountable to their citizens, ultimately contributing to the problems of political instability and weak and failing states;

Whereas in many resource-rich African countries multinational extractive companies are not required to publish information about payments made to host governments, and governments do not make information available to their citizens about the revenues they have received from such companies;

Whereas such opacity has resulted in billions of dollars worth of financial impropriety, facilitating embezzlement, corruption, and revenue misappropriation;

Whereas African oil producers currently provide as much as a quarter of America's oil supplies, and stable, transparent, and accountable African producers will be the key guarantors of future energy supplies to the United States;

Whereas many companies working in the extractive industries have seen their legitimate revenues misappropriated and squandered in countries in which revenue flows are not transparent, leaving such companies vulnerable to accusations of complicity with corruption and undermining the social legitimacy and political stability that protect the operations of such companies;

Whereas in Equatorial Guinea, the country's oil boom has led to a significant increase in its gross domestic product (GDP), while its living standards remain among the worst in Africa and much of the country's oil revenues remain unaccounted for due to a lack of transparency that places oil companies at risk of being seen as complicit with this corruption;

Whereas one in four children in Angola have died before the age of five in a country in which one in four dollars of oil revenues have gone unaccounted for throughout much of the last decade;

Whereas despite current high oil prices, Gabon is experiencing serious economic hardships due to ill-advised borrowing for construction during a previous low point in oil prices, leaving half the income of the Gabonese Government committed to interest payments at a time of rising unemployment;

Whereas, according to the nongovernmental organization Publish What You Pay, approximately \$300 million in oil revenues of Congo (Brazzaville) identified by independent auditors in 2005 did not show up in the budgets of Congo (Brazzaville);

Whereas the mismanagement of natural resource revenues in resource-rich developing countries often results in the taxpayers of the United States and other countries providing more aid to such resource-rich developing countries to compensate for the failure of such countries to provide basic services;

Whereas resource revenue transparency, where companies publicly disclose all payments made to governments for natural resource extraction and governments publish re-

ceipts of such payments, is a crucial first step to combating corruption and ensuring that revenues from natural resource extraction benefit the citizens of such countries;

Whereas disclosure of foreign investment contracts such as production sharing agreements (PSAs), host government agreements (HGAs), and other similar agreements contain the formulas necessary to calculate the amount and distribution of revenues generated from extractive projects and are policy-setting documents that often establish social and environmental conditions under which such projects operate;

Whereas the disclosure of such contracts is also necessary to root out corruption and to determine the social and environmental impacts of a project and whether it will contribute to development and poverty reduction;

Whereas the Extractive Industries Transparency Initiative (EITI), an international agreement supported by the Group of Eight (G-8) nations, is working toward ensuring that the revenues from natural resource extraction are more transparent and more accountably managed;

Whereas the EITI has the support and participation of a wide group of stakeholders, including the World Bank, the International Monetary Fund, approximately 20 developing countries (including four African countries which are implementing the EITI), civil society, major international companies, and international investors;

Whereas the major oil, gas, and mining companies and leading investors representing \$8 trillion in assets have recognized the important role that resource revenue transparency plays in creating a stable operating environment

and have been actively involved and publicly stated their support for resource revenue transparency and the EITI;

Whereas the G–8 nations, meeting in Gleneagles, Scotland, from July 6–8, 2005, stated: “We call on African resource-rich countries to implement EITI or similar principles of transparency and on the World Bank, IMF and regional development banks to support them. We support the development of appropriate criteria for validating EITI implementation.”;

Whereas the International Monetary Fund’s Guide on Resource Revenue Transparency states that “given these potentially substantial costs of nontransparent practices, it is estimated that institutional strengthening to improve transparency in vulnerable resource-rich countries should provide an ample pay-off for relatively modest investment”;

Whereas the United States Department of the Treasury statement regarding the World Bank’s Extractive Industries Review states: “We believe financial assistance should be predicated upon the government of a country where a project is located having in place, or committing to establish, a functioning system for accounting for revenues and expenditures.”;

Whereas United States trade preference programs, such as the African Growth and Opportunity Act (AGOA), include eligibility criteria that relate to combating corruption; and

Whereas transparency will contribute to the best interests of everyone concerned: citizens, companies, investors, governments, and the greater international community: Now, therefore, be it

1 *Resolved*, That it is the sense of the House of Rep-
2 resentatives that the Government of the United States
3 should—

4 (1) proactively support and participate in the
5 Extractive Industries Transparency Initiative (EITI)
6 and provide technical and financial assistance to as-
7 sist African countries in implementing EITI or in
8 adopting resource revenue transparency policies;

9 (2) work with the international community to
10 develop a monitoring process for nonmining natural
11 resources, such as timber;

12 (3) require natural resource extraction compa-
13 nies to disclose natural resource revenue payments
14 on a country-by-country basis;

15 (4) consider a government’s substantive efforts
16 or failure to ensure revenue transparency for critical
17 natural resource sectors when determining country
18 eligibility for relevant United States trade preference
19 programs, such as the African Growth and Oppor-
20 tunity Act, and foreign assistance programs such as
21 the Millennium Challenge Account;

22 (5) proactively support disclosure of resource
23 revenues and ex-ante disclosure of foreign invest-
24 ment contracts underpinning extractive sector
25 projects, making such disclosures a condition of sup-

1 port for financing by the United States Overseas
2 Private Investment Corporation and the Export-Im-
3 port Bank of the United States; and

4 (6) work with the international financial insti-
5 tutions to require resource revenue transparency and
6 contract transparency as a condition for lending or
7 assistance to resource-rich developing countries.

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