

*“ . . . We must couple our assistance abroad with an insistent call for reform, transparency and accountability.”*

– President-elect Obama, Strategy to Promote Global Development and Democracy

## ***The Problem: Transparency of Payments to Oil, Gas, and Mining Dependent Countries***

The United States depends heavily on foreign nations that supply oil, gas, and other mineral resources. Many of these countries are suffering from the “resource curse” – “rich” countries with poor populations and high level of corruption, conflict, and social unrest. US consumers pay the price when instability threatens global oil markets and US foreign policy objectives are undermined by instability in resource rich countries. Concrete measures can be taken by the next Administration to address these problems.

US energy security is undermined by our reliance on corrupt regimes. Six of the top ten oil-exporting countries to the US rank at the bottom third of the world's list of most corrupt countries, according to Transparency International. A lack of transparency in the oil, gas, and mining sectors – including secret payments, contracts, and opaque government budgets – is a major contributor to the problems in these countries. Corruption and conflict associated with natural resource exploitation also contributes to humanitarian emergencies, which US taxpayers end up paying for through foreign assistance programs. Natural resource revenues could be a tremendous engine for economic growth and poverty alleviation – creating new markets for US goods and services – if revenues are accounted for and spent in a transparent manner.

United States executive agencies play a key role in supporting extractive industries in developing countries. These include the Export-Import Bank (ExIm), the Overseas Private Investment Corporation (OPIC), and the US Agency for International Development (USAID). Additionally, the US is the largest overall contributor to and a key shareholder of the World Bank, Inter-American Development Bank, African Development Bank, Asian Development Bank, and European Bank for Reconstruction and Development. These institutions finance billions of dollars of extractive industry projects every year. Unfortunately, a 2008 Senate Foreign Relations committee staff report found that US government efforts to address the resource curse have been “sporadic” and “half hearted.”

## ***Options***

Oxfam America believes that urgent action is needed to address these critical transparency and human rights issues at oil, gas and mining operations. There is an important opportunity for the US to provide global leadership on transparency of extractive industry information. If communities know how much extractive companies are paying their governments for natural resources, they can advocate for a fair share of the benefits to address community needs like education, health care, and jobs. These *low/no-cost steps* could also lower costs for these commodities and reduce burdens on US consumers. **Listed below are a set of actions and executive orders that could be implemented by the incoming administration.**

In addition to continued support to an existing voluntary global program, the Extractive Industries Transparency Initiative (EITI), where the US is represented by the State Department, there are a number of additional steps the new Administration can take to combat the resource curse and promote foreign policy objectives.

## ***Short-term Recommendations – First 100 Days***

President Obama should:

- Order that the Export-Import Bank and Overseas Private Investment Corporation shall not finance any project in the oil, gas, or mining sector unless the company discloses payments and the host government agrees to implement EITI.
- Order that the Treasury Department will not support any oil, gas, or mining project being considered by the World Bank Group, the Asian Development Bank, African Development Bank, or Inter-American Development unless the company involved has agreed to disclose payments to the host government and the host government has been validated as compliant with EITI.
- Order that the US Agency for International Development shall not enter into any partnership agreement with any oil, gas or mining company that does not disclose payments to host governments on a country-by-country basis.
- Encourage passage of the Extractive Industries Transparency Disclosure Act (H.R. 6606 / S.3389 in the 110<sup>th</sup> Congress) when it is reintroduced in the 111<sup>th</sup> Congress. The EITD Act would require disclosure of payments by extractive industries companies to host governments around the world. By changing S.E.C rules, companies from the US, Europe, Asia, and elsewhere would be obliged to disclose payments, providing valuable information to citizens on the ground in resource-rich countries. The EITD Act would complement the voluntary EITI.

## ***Long-term recommendations – First Term***

President Obama should:

- Show international leadership on extractive industry transparency by making this a high-priority issue, with the State Department as inter-agency lead, as well as through implementation of EITI in the US. EITI implementation and reforms in the Mineral Management Service related to royalty collection for oil, gas, and mining on federal lands will demonstrate global leadership and lead to more oversight and more robust revenue collection for the US Treasury.
- Order that the State Department annual human rights reports will report on levels of corruption in every resource-rich country and highlight human rights abuses targeting civil society or members of the media seeking to monitor extractive industry financial flows.
- Deny visas to government officials from foreign governments known to be involved in significant corruption in resource-rich states.

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