

# Implementing the Extractive Industries Transparency Initiative (EITI) in Australia

**Providing a good practice example to other resource rich countries in our region.**

Australia is a resource rich country with a globally significant mining sector. Unlike the general populations of many other resource rich countries, Australians have benefited enormously from their country's natural wealth, partly because of strong systems of transparency and accountability, and a relative absence of corruption. Australia can help make this the global norm by committing to implement the Extractive Industries Transparency Initiative (EITI) here.

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## The current situation

Revenues from the extractive industries can be a significant source of income for many countries. Unfortunately, too many resource rich countries are also have very high levels of poverty. Revenues that should be spent on poverty reduction, health and education are too often wasted through wealth concentration, poor management or corruption. Improving transparency helps to ensure that a greater proportion of revenues from the extractive industries are used to benefit a nation's people.

Australia is a 'supporter' of the EITI and somewhat paradoxically already provides funds to assist other countries implement EITI, while not yet doing so itself. For Australia to implement the EITI, all mining, oil and gas companies operating in Australia would be required to publically publish payments made to the Australian Government (and possibly State and Territory governments), and in turn oblige the Government to publish what it receives. This is not a very significant imposition given existing transparency requirements in this country. However, it would be a significant step in making revenue transparency the global norm and contribute towards ensuring that a greater proportion of revenues from the extractive industries are used to benefit people. Additionally a number of companies operating in Australia have publicly endorsed the EITI – and should therefore support its implementation in Australia.

Mandating the disclosure of payments to government here in Australia may prompt companies operating overseas to do the same in all countries they operate (regardless of whether or not the country is an EITI country), because disclosing this information becomes the norm. In fact, voluntary disclosure is becoming more common with Australian listed BHP Billiton and Rio Tinto having committed to voluntarily disclose payments to governments on a country-by-country basis.

Australia has an opportunity to show real leadership on this issue. Issues of corruption and financial

mismanagement are not a significant concern in Australia so this is not motivating reason for why Australian should implement the EITI. Rather, by implementing the EITI Australia will send a very strong signal to resource rich countries where corruption and financial mismanagement are concerns, that they too should commit to opening their books and be more transparent about the payment and receipt of extractive industries revenues. Australia would likely get a far better hearing from other countries it encourages to implement transparency and anti-corruption measures like the EITI (such as Papua New Guinea), if it is working to implement the EITI itself. Not to do commit to the EITI presents an obvious double standard. It is understood that Norway, who has recently committed to implementing the EITI, now reports much more positive reactions from the countries it lobbies to implement similar reforms.

Over thirty countries have already signalled their intention to implement the EITI – including Timor Leste and Indonesia in our region, and many African and Central Asia countries. Implementing the EITI in Australia would also complement other OECD countries' initiatives. For example, in the US legislation has just been passed that requires all companies registered on the US securities exchange (which includes some Australian companies) to disclose their payments to host governments.

## Recommendation:

That the Australian government immediately commit to implementing the Extractive Industries Transparency Initiative (EITI) in Australia.

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