

Principal Adviser
Corporate and International Tax Division
The Treasury
Langton Crescent
Parkes ACT 2600
Australia

30 May 2013

Dear Sir/Madam,

Implications of the Modern Global Economy for the Taxation of Multinational Enterprises

The Publish What You Pay (PWYP) Africa Steering Committee¹ welcomes the opportunity to comment on the Australian Government's consultation on 'Implications of the Modern Global Economy for the Taxation of Multinational Enterprises'.

Mining and resource companies from Australia have more projects in Africa than any other region of the globe, with total current and projected investment estimated to be close to US\$50 billion². Around 250 Australian mining companies currently operate more than 650 projects in 37 African countries³, many of which are resource rich countries ranking among the poorest in the world. For example Niger, soon to become the world's second largest producer of uranium, lies at the bottom of the human development index.

Yet the natural resource revenues in the continent are very considerable: in 2010 mineral, oil and gas exports from Africa were worth roughly seven times the amount of international aid sent to the continent (USD 333 billion vs. USD 47 billion).

Despite this potential, African countries remain trapped in poverty. Secrecy and opacity surrounding natural resources foster a climate conducive to corruption and mismanagement. As Africa's natural resources continue to be extracted without benefiting citizens, the once in a generation opportunity to create a better life for citizens is squandered. A lack of transparency not only betrays future generations but has also led to conflict and civil wars across countries.

¹ The Africa Steering Committee of Publish What You Pay was set up during the last Africa Meeting in Kinshasa in May 2011. Its main function is to represent the African constituency of the PWYP campaign at continental and international levels. The mandate of the ASC encompasses three main roles: a) to lead on advocacy with African and international institutions; b) to ensure the adoption and implementation of a protection strategy for African campaigners; c) to ensure that the principles of PWYP are enshrined in the African campaign and guide the practices of national coalitions.

The members of the first Africa Steering Committee are:

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- Bubelwa Kaiza (Tanzania), Vice-Chairman - bubelwa.kaiza@fordia.org
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² <http://www.newera.com.na/articles/50308/Australian-mining-invest-in-Africa-s-future>

³ <http://www.ausaid.gov.au/MediaReleases/Pages/Display.aspx?QID=1754>

Transparency of resource revenues would enable citizens in developing countries to hold their governments to account, empowering them over how their natural resources are managed. With better knowledge and information of revenue flows, African citizens could ask their local authorities and national governments how the money was spent and ensure that funds are directed towards benefiting all citizens – for instance through the provision of sanitation and healthcare or the financing of future generations funds.

We strongly support PWYP Australia's submission to your consultation, which made the following recommendations:

1. That the Government acknowledge the complementary relationship between mandatory disclosure requirements for extractive companies, which is international in scope, and conducting an EITI pilot, which is domestic in scope. In acknowledging this, PWYP Australia called on the government not to wait until the end of the EITI pilot to consider the introduction of payment disclosure legislation.
2. That the Government introduce requirements – aligned with US and EU legislation – that obliges Australian based or listed companies to disclose their payments made to governments on a country-by-country and a project-by-project basis.

With regards to the first recommendation, while we naturally welcome the Australian pilot of the EITI, it will shed no light on payments made by Australian companies to African governments. We therefore encourage the Australian Government to immediately start exploring the second recommendation: a mandatory reporting regime that will help create a global reporting standard aligned across jurisdictions. This recommendation follows that of Kofi Annan in the latest African Progress Panel report, 'Equity in Extractives: Stewarding Africa's natural resources for all' released on 10 May 2013⁴.

The PWYP Africa believes that transparency of payments of Australian companies to African governments would have a greater impact reducing poverty in resource rich African countries, and reversing the 'resource curse', than AusAID's Mining for Development Initiative.

PWYP members in Africa are looking forward to the information that will come out of the US and EU legislation; we expect it will be more comprehensive, and of a better quality, than the data currently generated through EITI reports. As well as empowering citizens to hold their governments accountable in non-EITI implementing countries, it will increase and bolster the debates over natural resource management taking place in EITI implementing countries.

We urge you to give these points your utmost consideration.

Yours faithfully,

Gilbert Maoundonodji,
Chairman



⁴ <http://www.africaprogresspanel.org/en/publications/africa-progress-report-2013/>