

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

Statement by Sir Mark Moody Stuart on behalf of Anglo American plc 17th March 2005

Anglo American has been a committed supporter of the Extractive Industries Transparency Initiative since its inception at the Johannesburg Summit. At that Summit, the Plan of Implementation made explicit recognition of the role that responsible mining can have in sparking wider development opportunities and we see our support for EITI as part of delivering on that objective.

As a company we are seeking increasingly to play a role in the sustainable development of the communities and countries where we work. At a site level that involves initiatives like:

- Improving our understanding of the needs and priorities of local people – and respecting them;
- increasing the capacities of the local supply chain;
- creating access to jobs for local people through training and support for education; or
- adapting infrastructure plans, especially in relation to water and transport, to seek to create community benefits.

But we also recognize that we have a role to play, in partnership with others, in contributing to optimizing the governance and human rights impacts associated with our operations at a regional and national level. Whilst it is ultimately for governments to choose whether to participate, we are not reticent about being advocates for EITI in the interests of good and transparent governance. Our commercial interests are served by such an approach since, as long-term investors, it is more likely that we will be able to achieve sustainable outcomes.

In many of the developing countries where Anglo American has interests – Chile, Colombia, South Africa Botswana, Ghana and Namibia for example – there is effective macro-economic management of the resources that we, and other companies in the extractive sectors, help to generate and these are used to support wider development objectives. As members of the International Council on Mining and Metals we are glad to be associated with the Resource Endowment Project which seeks to address the macro-economic challenges generated by a high dependency upon natural resource revenues and to see what the common factors are for those countries which have made a success of exploiting mineral resources.

We welcome the progress made to date with the EITI. It is early days to show whether it will be sufficient to improve governance and reduce opportunities for the misappropriation of revenues. The coalition of advocates and supporters has worked well to date and the growing numbers of governments proposing to participate is encouraging. We welcome the recent endorsement too from the Commission for Africa, including the suggestion that the approach should be extended to other economic sectors. I think that the Commission was right too in addressing, in the same section of its report, the return of revenues looted by corrupt governments in the past. Advocacy of transparency and anti-corruption by developed country governments would carry greater moral force if they were seen to be more active in rooting out these assets nestling in accounts in their banking systems.

We support the set of criteria for implementation set out in paragraph 7 of the draft Statement of Outcomes as a useful amplification of the Statement of Principles agreed at the Lancaster House meeting in 2003. I have only three additional points

to add. First, we are disappointed by the relatively limited involvement of the International Financial Institutions. The Bank and the Fund might have been expected to play a more active part in the country-level audit process. In some circumstances the use of commercial audit firms may be a satisfactory way forward. In others, where there is only a narrow elite and a regime unafraid to threaten and bully, can we be confident that such arrangements will be robust?

Secondly, and this is a point felt strongly within the mining industry, we believe that in those countries where there are constitutional or legislative provisions governing the redistribution of natural resource revenues the principle of transparency should be extended to cover this process. Too often such provisions are honored only in the breach with revenues seemingly disappearing between the centre and the relevant regions. This is a source of potential leakage of revenues and a point of great resentment and conflict within some of the countries where mining companies work. I hope that it can be addressed in the implementation models chosen at country level and be readdressed when we meet again in 2006.

My final point concerns the perceived legitimacy of the Initiative. When originally discussed many participants expected developed resource-rich countries to take a lead in practicing transparency. With the exception of Norway this has not, by and large, happened. Thus in some parts of the world the process is seen as unequal and an example of the 'wagging finger' of the developed world. This isn't necessarily fair but it is, nonetheless, real. A means of closing this legitimacy gap would have been for participants to seek a UN General Assembly Resolution to underpin the EITI – as was done for the Kimberley Process. Such a resolution was included in earlier drafts of the Statement and appeared to command a consensus. It would be informative to learn why it was removed?

In closing, I am happy to underline Anglo American's support for the EITI. A strong commitment to the EITI will, we believe, be good for the reputation of the extractive industries, for the accountability of host governments, for sustainable development and for attracting investment to those countries that adopt it. We look forward to a further widening and deepening of the Initiative in the coming years.

Mark Moody-Stuart,
Chairman,
Anglo American plc