The Role of Parliaments and Extractive Industries
Concluding Statement

The Role of Parliaments and Extractive Industries

A Workshop by the Commonwealth Parliamentary Association World Bank Institute at the Joint Vienna Institute

Proposals to strengthen parliamentary oversight of extractive industries so they are developed in a transparent and accountable way which benefits their societies and the wider world have been identified by a select group of Parliamentarians from 11 Commonwealth jurisdictions with extractive industries. The proposals came out of a seminar from 29 to 31 October 2012 at the Joint Vienna Institute in Vienna, Austria, that brought Commonwealth Parliamentarians together with representatives from the International Monetary Fund, the World Bank Institute, the Revenue Watch Institute and the Parliamentary Centre (Ghana).

The proposals offer Parliaments, parliamentary committees and individual Parliamentarians guidance on specific processes they and multi-stakeholder groups could use to ensure that mineral and petroleum resources are converted into social and financial assets for the benefit of the people of the jurisdictions which own them. They will help governments to provide a stable environment and efficient, effective and robust policy, legislative, administrative and regulatory frameworks for investment in exploration, development and marketing of these resources. The proposals are built on the fundamental principle that all stakeholders will have confidence in the
development process if it is managed in a fully transparent way throughout the life of the projects.

It was recognized that mineral and petroleum resource development is a highly complex, technical and volatile field. The resources themselves are non-renewable and consequently finite. Transparency and accountability are therefore essential to re-assure all stakeholders that expectations are reasonable, developments are fair and benefits are spread equitably throughout society. The group therefore encourages all Parliaments and Parliamentarians to

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support efforts to enhance the transparency of the sector, including projects such as the Extractive Industries Transparency Initiative and contract monitoring.

The group stressed that the provision of processes to ensure transparency and proper scrutiny is only the starting point. Governments, Parliaments and other stakeholders must have the capacity and the will to use the processes fully and vigorously.

The following are some of the main proposals that emerged from the discussion:

**Enabling Parliamentary Engagement**
1. Parliament must approve clear and well-considered policies on extractive industries which are part of a comprehensive development plan.
2. Parliament must scrutinize government institutions, administrative processes and regulatory agencies involved in extractive industry development.
3. Parliament must have access to the contracts, licences and other agreements between the government and resource developers and investors, including provisions on changes in ownership of projects and the arbitration of disputes.
4. Parliaments and parliamentary committees must have clearly defined roles in the approval of contracts, the oversight of regulatory agencies and the scrutinizing of income and expenditure of revenue emanating from resource development.

**Scrutinizing Extractive Industry Agreements**

5. Provided the selected fiscal process or processes are run efficiently and transparently, revenue from extractive industries can be obtained equally effectively through the sale or auction of contracts including production-sharing regimes, through taxes and royalties including the licencing of exploration and exploitation areas and through direct state ownership either as a majority or minority shareholder.
6. A combination of revenue processes can be beneficial if there is a need to obtain revenue early in the development of extractive industries.
7. Stabilization clauses seeking to shield companies from future political and legislated changes are inappropriate and generally ineffective.
8. Commercial confidentiality should be kept to a minimum and should be time-constrained.

**Parliamentary Strengthening**

9. Parliaments should be provided with the information and the resources necessary for effective oversight, including where possible the provision of expert technical advice.

10. Parliaments, parliamentary committees and individual Parliamentarians should work with civil society groups, both local and international, to obtain information and expert advice on the operations of resource projects, the effectiveness of their regulation and the monitoring of revenues.

11. Parliament should consider supporting or encouraging the creation of multi-stakeholder groups, possibly including some Parliamentarians, to give civil society a formal role in monitoring extractive industries.

12. Parliament must maintain the highest standards of propriety among its Members through strict adherence to codes of conduct, codes of ethics and asset disclosure rules so its performance in the oversight of extractive industries is beyond reproach.

13. Parliament must make full and effective use of all its oversight practices and procedures to monitor the performance of extractive industries, including: public accounts and audit reviews, approval of the budget, questions to Ministers, departmentally related committee reviews, requests for the production by ministries of persons and papers, special parliamentary committee inquiries and debates on policies and motions.
Overseeing the Beneficial Use of Revenues
14. Government must report to Parliament fully on its use of the revenues and in-kind benefits, including social development projects, received from extractive industries.
15. Parliamentary budget scrutiny should ensure that public expenditure levels distribute the benefits from extractive industries sustainably over time to avoid excessive short-term spending when revenues are high and excessive borrowing when revenues are low and to retain equitable benefits for future generations.
16. The revenues from resource assets should be used to finance social and infrastructure development, economic diversification and the development of human resources to help reduce future dependence on revenues from extractive industries.

The Parliamentarians offer these proposals to assist Commonwealth Parliaments and Legislatures, the Commonwealth Parliamentary Association, the World Bank Institute, the International Monetary Fund, the Revenue Watch Institute, the Parliamentary Centre and the wider global community to address the issues around the development of extractive industries. They recognize that the responses to the issues will vary in each jurisdiction to reflect local circumstances. However, the Parliamentarians see great advantages in strengthening parliamentary oversight of the development of publicly owned natural resources and suggest that Parliaments consider the proposals to increase transparency and public confidence in this sector.

The participating Parliamentarians and organizations extend their thanks to the Joint Vienna Institute for facilitating the seminar.

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