

Testimony of Father Patrick Lafon, Catholic Bishops Conference of Cameroon¹

“Transparency of Extractive Industries: High Stakes for Resource-Rich Countries, Citizens and International Business”

House of Representatives Committee on Financial Services

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Chairman Frank, Ranking Member Bachus and Members of the Committee: I would like to begin by thanking you for the opportunity to address you on a subject that is quite literally a life and death issue for hundreds of millions of Africans and others in the developing world. This issue is transparency in the extractive industries.

The Catholic Church in Cameroon and in the West and Central African regions has been involved in issues of oil and poverty for more than a decade. We decided to adopt a hands-on approach in the 1990s when the Chad Cameroon oil and pipeline project was being planned. Before this, oil was a taboo subject in Cameroon. But when we realized that after 25 years of the exploitation of oil, there wasn't much to show for it except the fat bank accounts of a few individuals, we as the Catholic Church decided to get involved, not only in Cameroon but across the region. The first result was a policy document by the Catholic Bishop's Conference of Cameroon and another by all the Catholic bishops of Central Africa issued in 2002. In that statement the bishops of Central Africa spoke with one voice to call on oil companies to “contribute to transparency and the fight against corruption by publishing the oil revenues they pay to our national governments.”²

Beyond policy statements, we have taken practical measures to try to improve the outcomes of oil projects in favor of the poor. We decided to set up a monitoring program for the Chad Cameroon oil project to see whether the governments and oil companies were doing what they said they would do. This particular oil project has not resulted in much improvement in the situation of the common man in Cameroon. For example, the question of compensation was badly managed. Also, in the case of Cameroon, the World Bank did not use the leverage it had to require a revenue management law for the use of all oil revenues in Cameroon, as it had done in Chad.

The Church is answering the cries of the people of Central Africa for more justice in the use of oil revenues. Lack of transparency can breed corruption and has done so. Angola, Cameroon, Congo Brazzaville, the Democratic Republic of the Congo, Equatorial Guinea, Gabon, Nigeria, Sao Tome e Principe and Chad are among some of the most promising oil, gas and mining exploration areas. But they are also some of the world's most corrupt

¹ Fr. Patrick Lafon was, until August 2007, the General Secretary of the Catholic Bishop's Conference of Cameroon, and was a former member of the International Advisory Group of the Extractive Industries Transparency Initiative.

² *The Church and Poverty in Central Africa: The Case of Oil*, Association of Episcopal Conferences of the Central Africa Region, July, 2002.

countries. One has only to consult the Transparency International Corruption Perceptions Index to verify that this is so. Since the mid 1990s, several countries in sub-Saharan Africa have experienced strong revenue growth from the petroleum industry. In most cases, however, this new wealth has not contributed to economic development but has been used for the enrichment of the leaders of these countries and the associated elites.

Cameroon is a case in point. Not all oil revenue gets into the state budget and, according to the IMF, the state oil company, the SNH, finances extra budgetary spending. EITI audit data and analysis by the IMF highlights a difference of about \$286 million in reported oil revenues from 2001-2004. The IMF and the World Bank have confirmed that such discrepancies never pass through the treasury and into the budget. The SNH is thus another treasury but a very opaque one at that. Money is distributed directly from here without any legislative control, to serve unclear priorities. In Cameroon and throughout the region, transparency is being hindered on account of contract opacity. Confidentiality clauses are seriously hampering the ability of the Church and civil society in their desire to hold governments to account.

Rampant corruption and poverty is leading increasingly to conflicts in the region which threaten the oil supplies that everyone needs. This means that a proper management of public affairs is in everyone's interest.

Clearly revenue disclosure and accountability in resource rich West and Central Africa still has some road to travel. The Catholic Church and its allies in the region stand ready to use information that is disclosed to foster government accountability. We have already been able to make some progress as the Church in the region. In Congo-Brazzaville, members of the Catholic Church's Justice and Peace Commission are leading the charge on revenue and contract transparency and some information and contracts have been disclosed. At the same time, Brice Mackosso, a lay member of the Commission, and a human rights activist, Christian Mounzeo, were detained for months last year for his activism on the issue.

In order complete the transparency agenda, we recommend that governments, oil and mining companies and international financial institutions:

- Opt for a mandatory rather voluntary approach to EITI
- Implement disaggregated – company by company – reporting of revenues paid to governments
- Ensure that all extractive industry revenues are part of national budgets
- Abolish confidentiality clauses in contracts
- Publish information on the extractive industries regularly
- Investigate questionable bank accounts belonging to third world dictators.

Thank you for your kind attention and I am happy to answer any questions you may have.