

## We need transparency to fight corruption and tax dodging

**Multinational companies deprive developing countries of nearly 125 billion Euros each year. We, church leaders from all over the world, call on the EU to stop this now.**

As the crises hit our economies and societies harder every day and impact particularly on the poorest, citizens are asking for new rules to put more morality into the financial system.

The greed of a few threatens the very survival of the most vulnerable populations. To end this, new rules are urgently needed that ensure that the wealth produced, particularly from the exploitation of natural resources, is not monopolized for the sole benefit of a minority. These resources should benefit all equitably and in particular the local people who are directly impacted by the activities of production and/or extraction.

“God intended the earth with everything contained in it for the use of all human beings and peoples. Thus, under the leadership of justice and in the company of charity, created goods should be in abundance for all in like manner.”

(Vatican Council II, *Gaudium et Spes*, 69)

The implementation of the EITI (Extractive Industries Transparency Initiative) was a first step towards a just and sustainable management of natural resources. This multi-stakeholder initiative is voluntary for countries and is designed to ensure transparency in the payments of the extractive industry to governments. It has shown in participating countries the benefits of transparency to enhance democratic governance and to fight corruption. The churches, which have participated actively in the implementation of this initiative, are partly responsible for this healthy development.

After ten years of experimentation, it is now time to go further by establishing ambitious and binding rules to promote transparency of all stakeholders in the extractive sector and in all countries.

The adoption in the United States of the Dodd-Frank Act in July 2010 marked a new milestone. All extractive companies listed on U.S. stock market will have to publish their payments to host countries. Burmese or Congolese citizens should be able to hold their governments accountable on the use of funds coming from extractive activities.

It is now up to the European Union to improve the international standard of transparency. The Commission has proposed a rule for financial transparency, on both a country by country and project by project basis. If implemented effectively, these measures will offer more opportunities to citizens to monitor whether extractive industries are making a fair contribution to the economy. To achieve this goal, the European Union must ensure the threshold for reporting payments by extractive companies is set at a level that is meaningful for developing countries. Exemptions should not be allowed to create loopholes.

This measure is a first step towards greater transparency of companies' financial accounts on a country by country basis which would provide a full picture of their subsidiaries, the number of people in their employment, their annual turnover and profits. This would be a decisive incentive to stop tax dodging by multinational companies which deprives developing countries of nearly 125

billion Euros each year. It will also encourage Government officials to ensure that natural resource deals agreed are in the best interest of their citizens.

Concerned to see revenue from businesses contributing to a sustainable and fair development of the domestic economies of the countries where they operate, we look forward to the introduction of robust regulation requiring full transparency of companies operating in all sectors of the economy on a country-by-country basis which we know will constitute a further step towards regulation of the economy for the benefit of the poor, supporting the fight against corruption and a fairer redistribution of wealth.

### Signatories

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