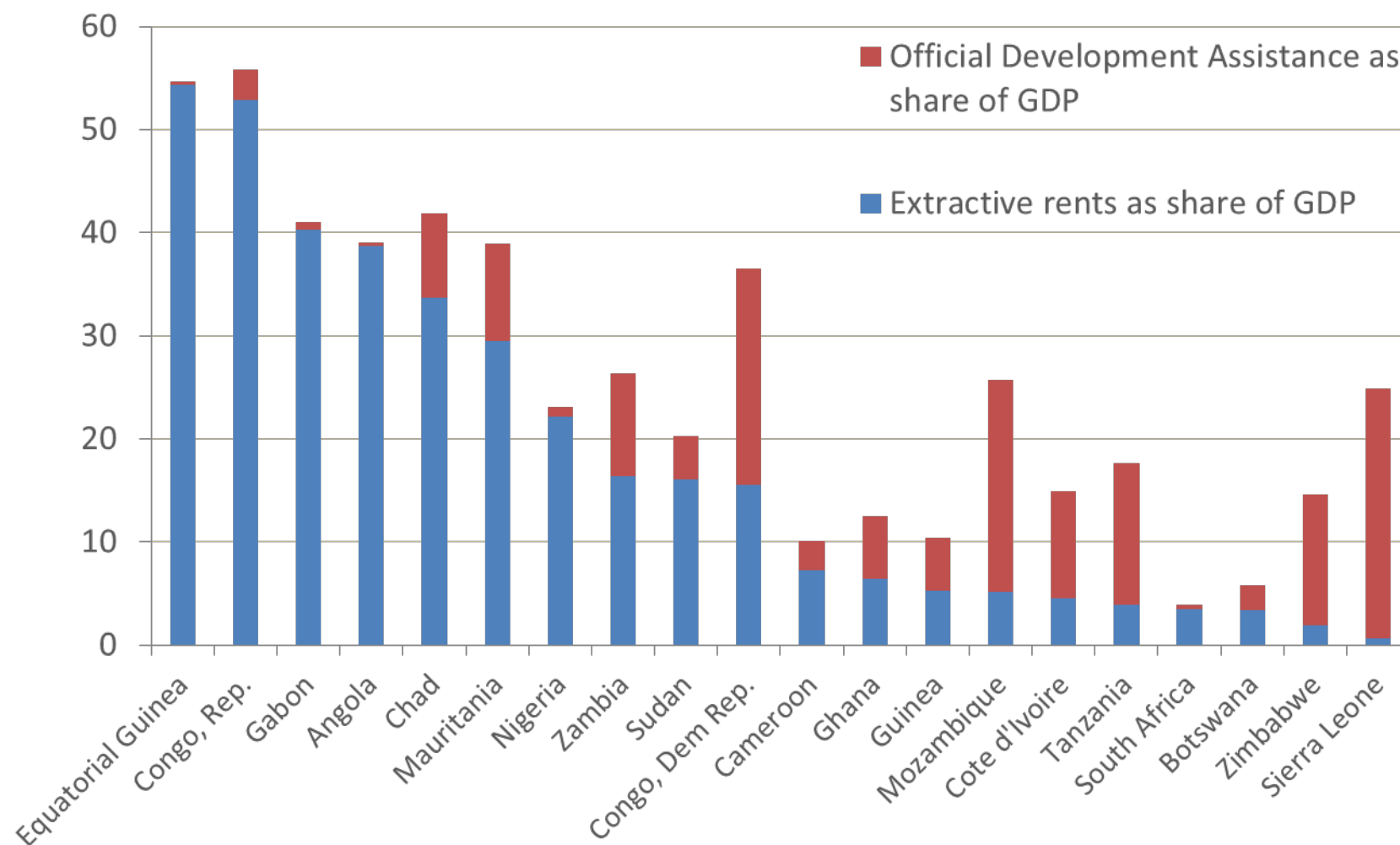


## **Commentary from a Civil Society Perspective**

**Lorenz Kummer, SWISSAID**

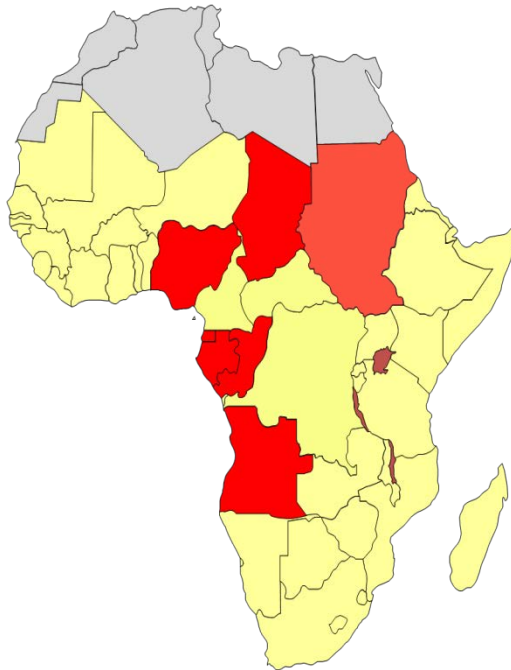
- The challenge of extractives and development
- The role of commodity trading
- The role of Switzerland

KFPE Conference, August 27, Bern

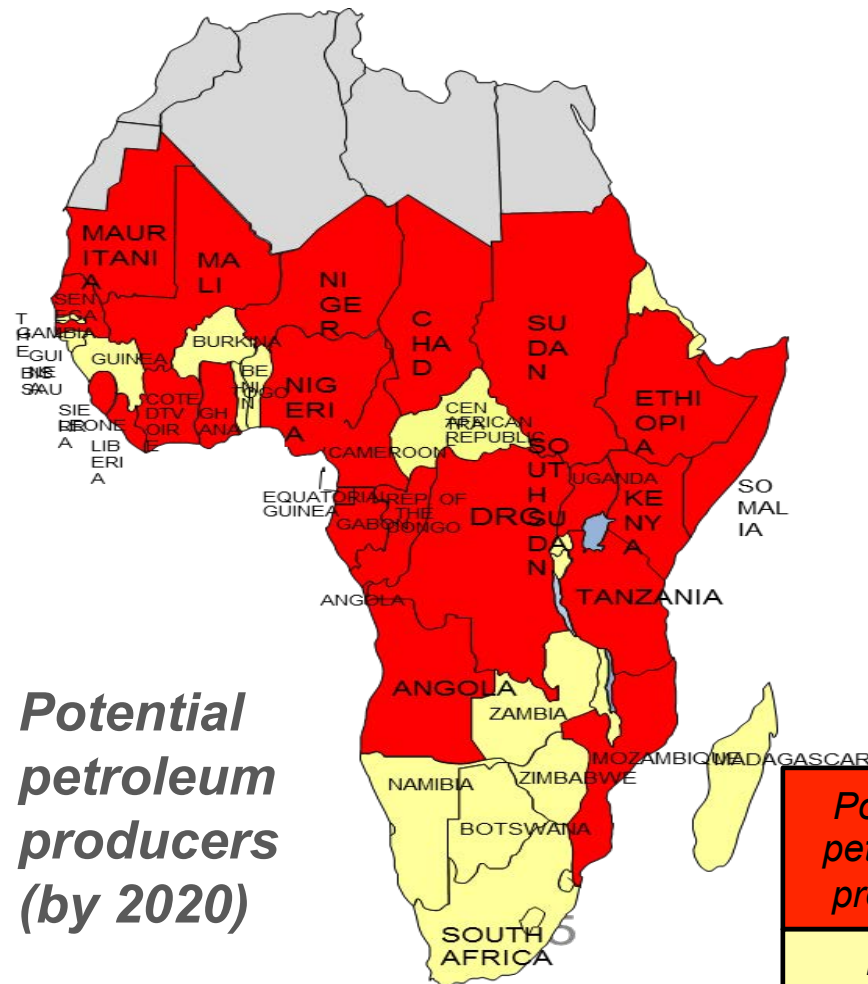


# New oil discoveries across Africa

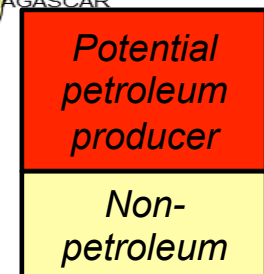
*Significant  
petroleum  
producers 2005*



[Source: Ross (2011), RWI research]



*Potential  
petroleum  
producers  
(by 2020)*



# Nigeria: exemplifying the resource curse

*Oil revenues per capita:*

**US\$33** in 1965

**US\$325** in 2010

*Poverty rate:*

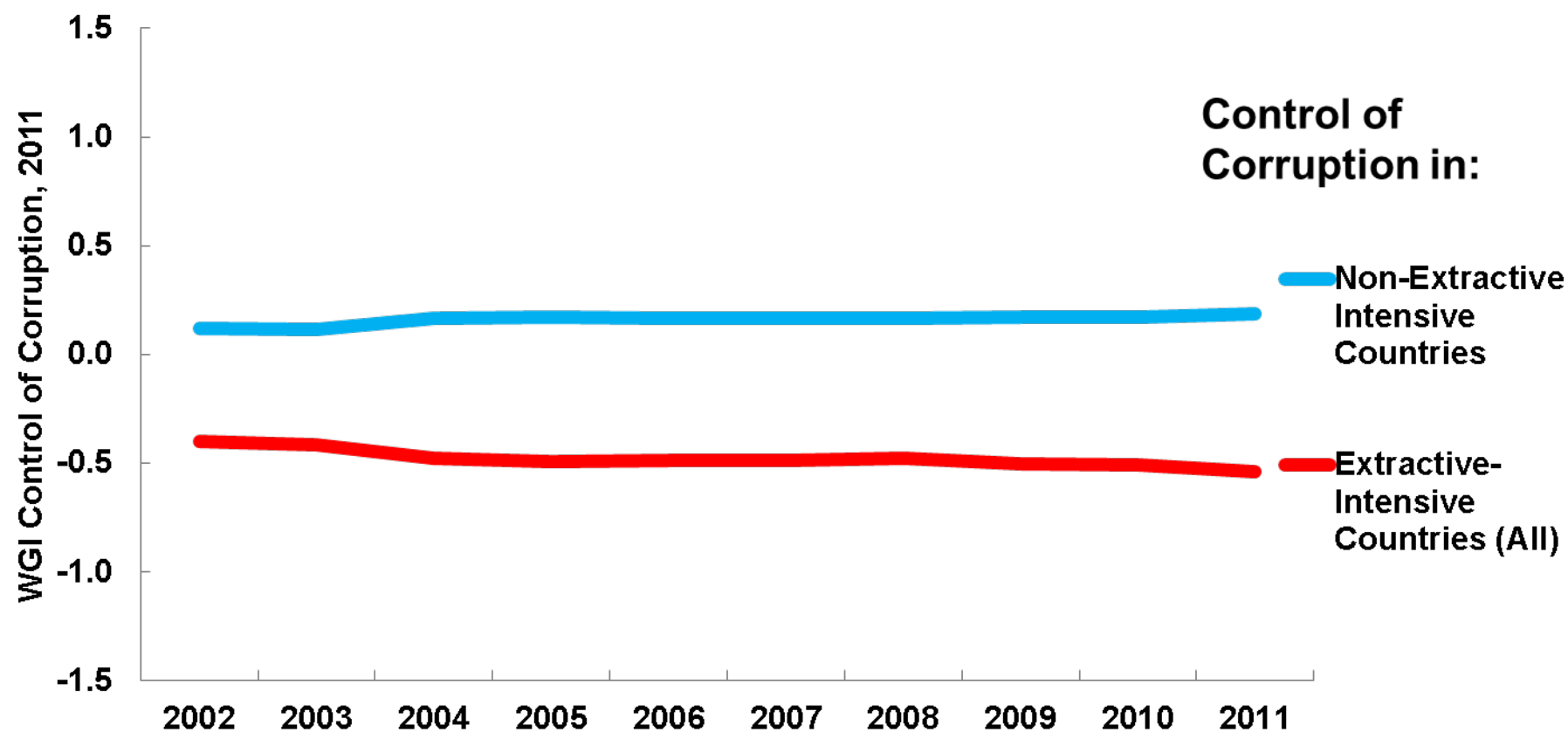
**26%** in 1970

**70%** in 2010



# Trends in Control of Corruption

*World Governance Indicators 2012*



**“Sunlight is the best disinfectant”**

US Supreme Court Justice Louis Brandeis

## **Transparency**

- PWYP – 700+ members
- EITI
- US / EU mandatory transparency laws
- Canada / Norway



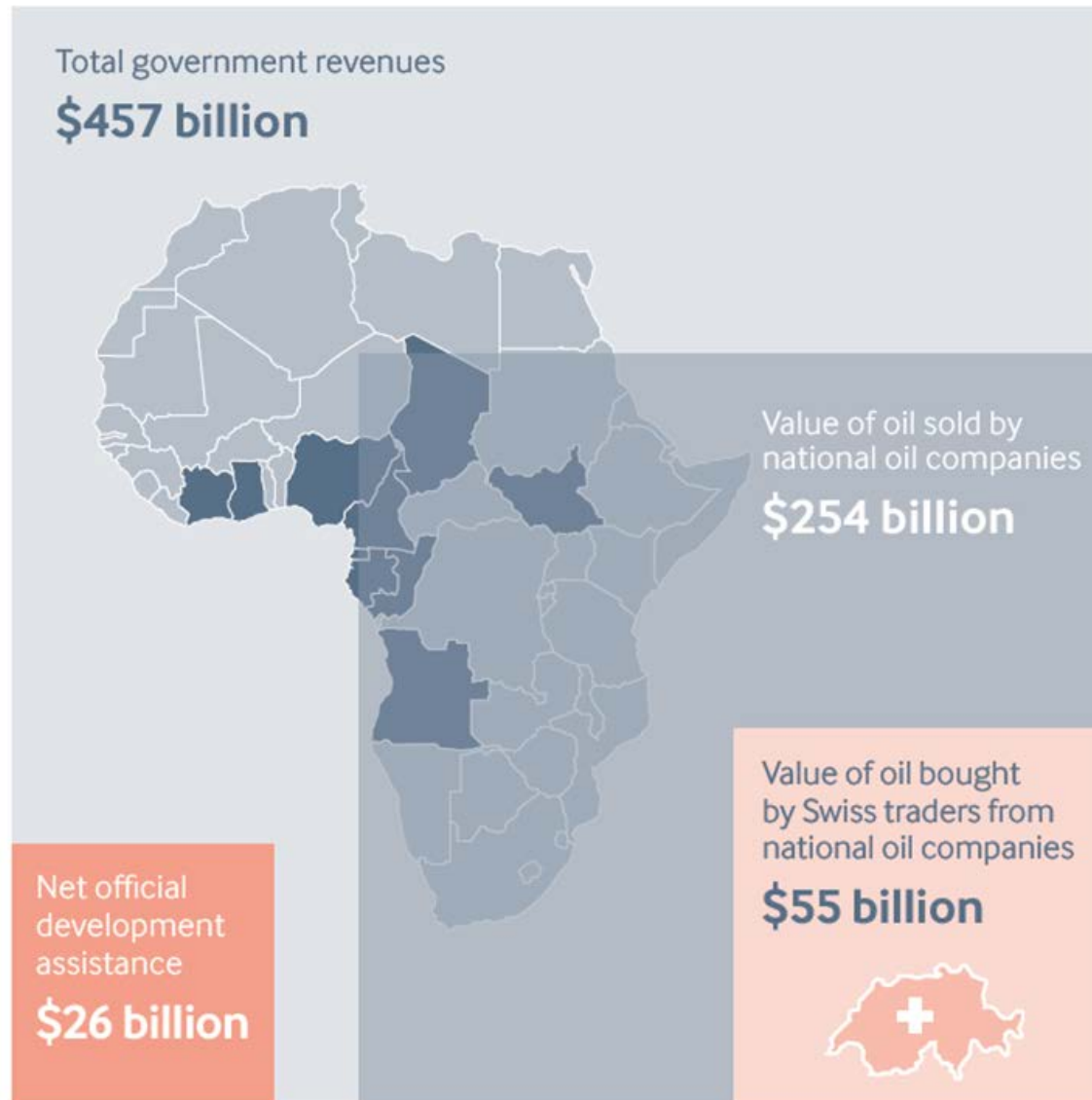
## The obvious gap : Commodity trading



### Big Spenders

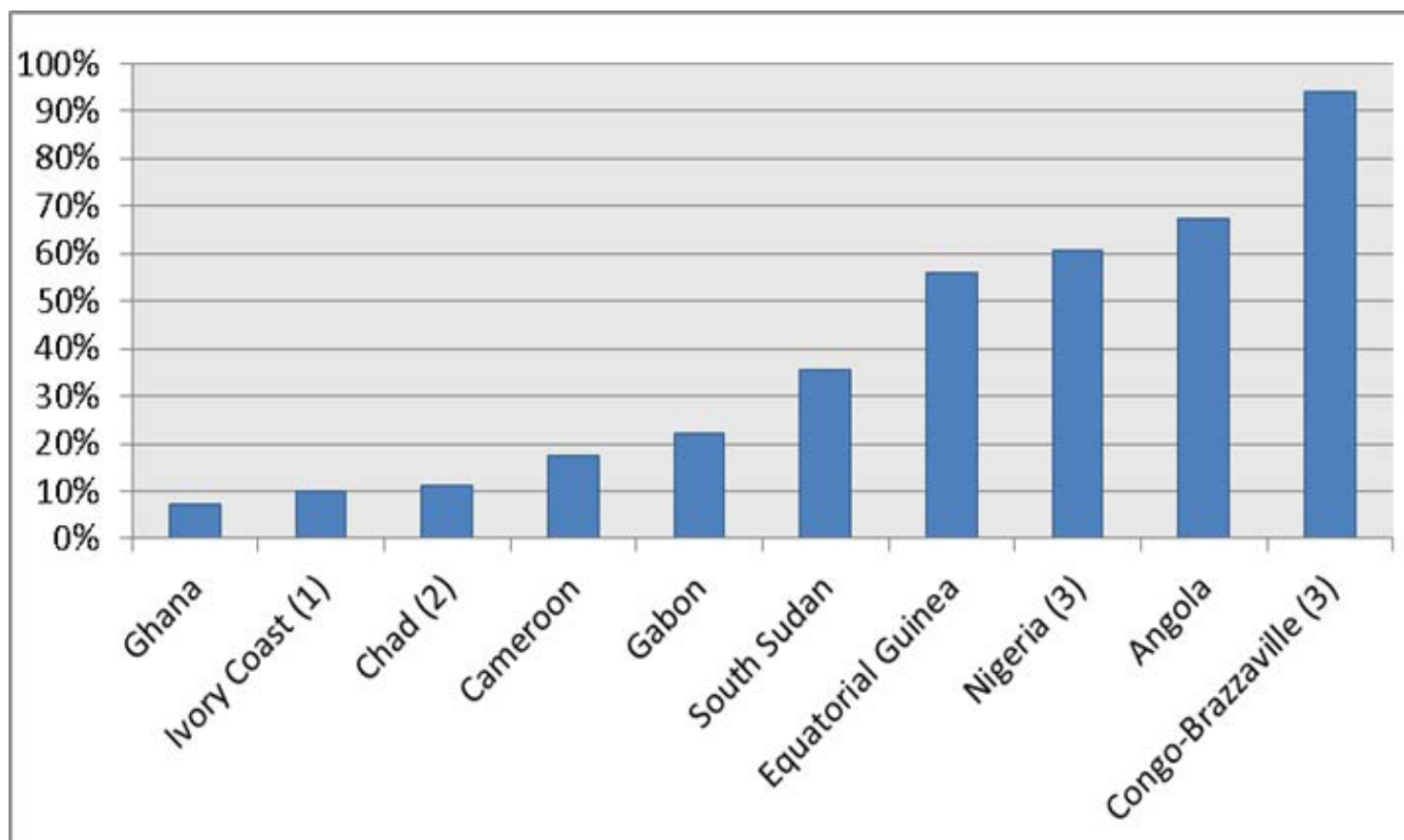
Swiss trading companies,  
African oil and the risks  
of opacity

- 100 Mio \$ transactions
- 10 African countries (NOC's)
- 2011-13



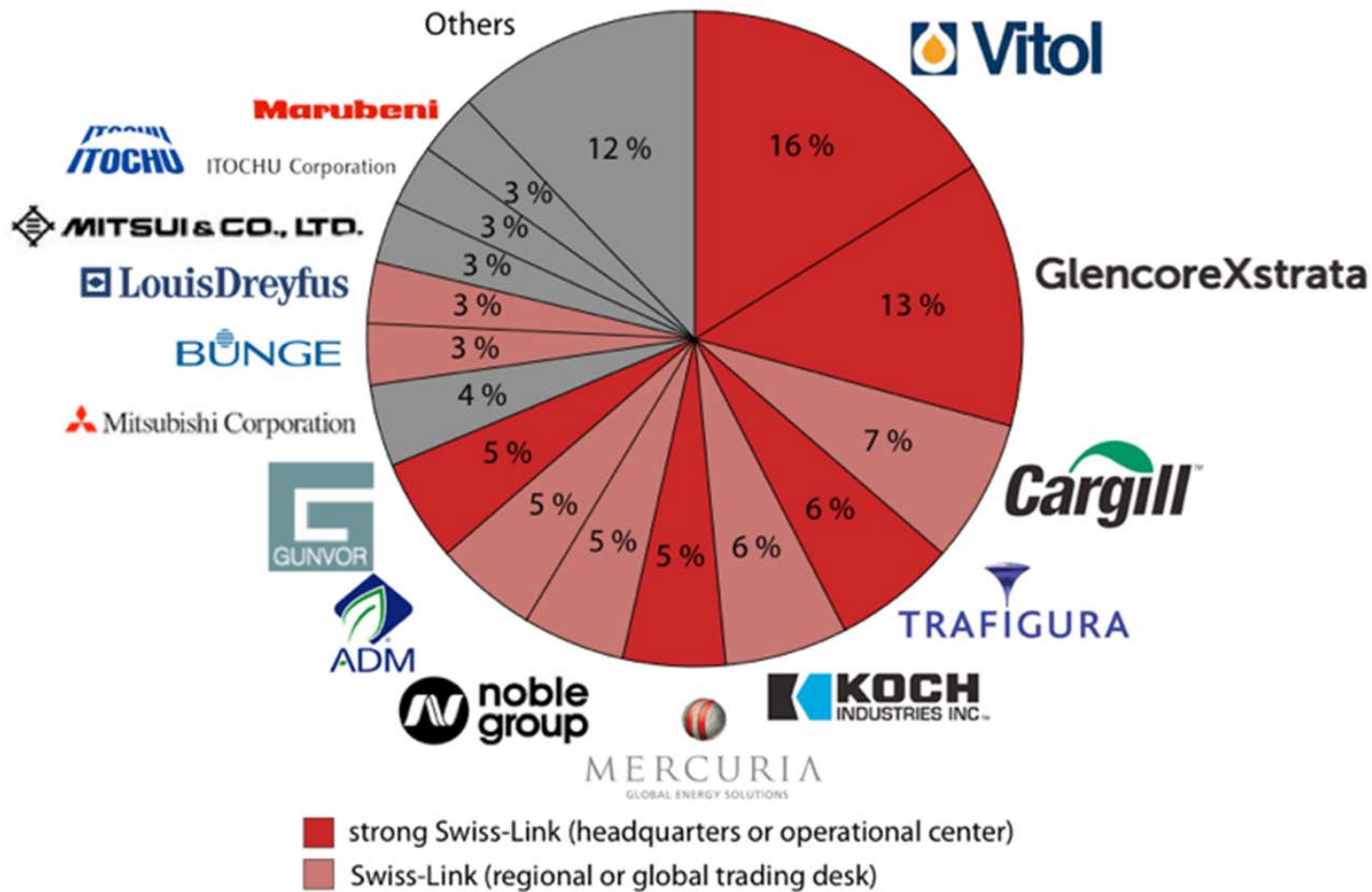
Notes: The countries are Angola, Cameroon, Chad, Côte d'Ivoire, Republic of Congo, Equatorial Guinea, Gabon, Ghana, Nigeria and South Sudan. Sources: for ODA data, we used 2011 and 2012 figures from the World Bank's 2014 World Development Indicators to estimate a threeyear total; for government revenues, 2014 IMF World Economic Outlook; for NOC oil sales, official government reports and market data; and for Swiss oil sales, authors' calculations using market data.

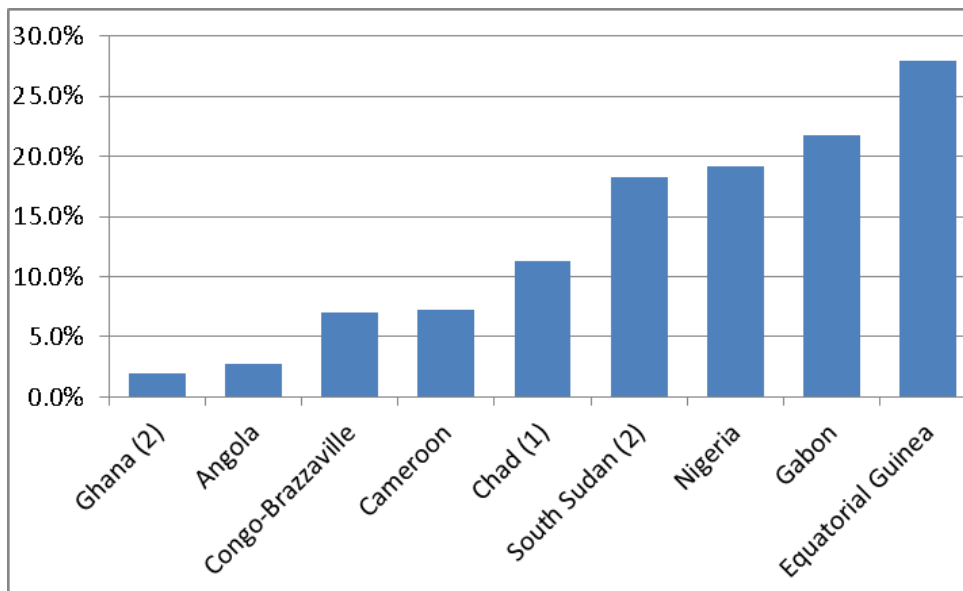




**NOC oil sales relative to government revenues (annual average, 2011-13)**

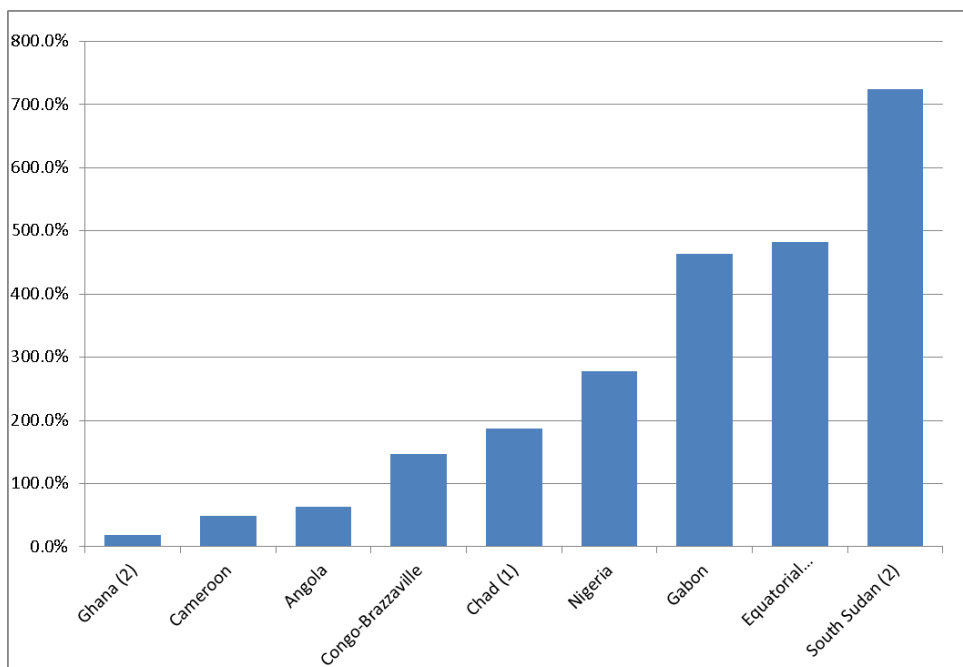
## Largest independant commodity traders according to revenues\*\*





**The value of sales to Swiss traders  
relative to government revenues**  
 (2011-2013 annual average)

**Total: 12 %**



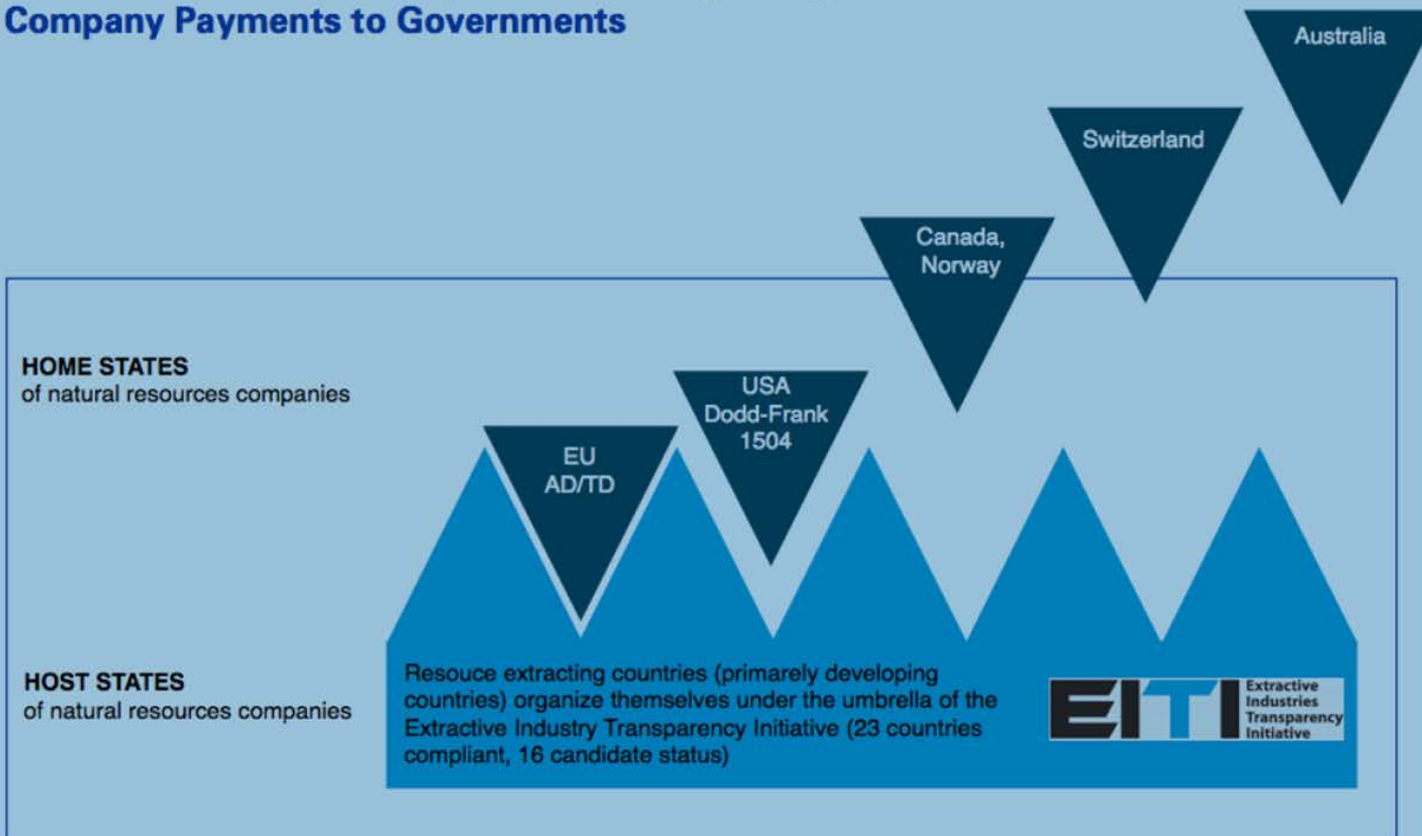
**The value of sales to Swiss  
traders relative to government  
health spending,**  
 (2011-2013 annual average)

**Total: 201 %**

“Switzerland, as the world’s leading commodity trading hub, should prevent its commodity trading sector from helping to perpetuate the resource curse and enact a law that promotes “transparent trading” (for all transactions with governments and state-owned entities)

- price
- volume
- grade
- date
- the way purchase was secured

## International Transparency Framework regarding Company Payments to Governments



## Federal government report (June 2014)

- acknowledges potential governance issues related to commodity trading.
- Swiss transparency law while reviewing corporation law → autumn 2014
- **Exclusion of Trading !!!!!!!!!!!**
- Federal council asks for authority to include trading at a later stage







**Fall 2012.** A motion “Transparency of payments made by commodities companies” was placed before the National Council. In its response on the 10.11.12, the Federal Council “welcome[d] the objective of the motion to increase transparency” but nevertheless expressed its preference to wait and see how other countries intend to handle transparency and rejected the motion.

**End of March 2013.** The Swiss government published the [“Background Report: Commodities”](#). Recommendation 8 of the report states that: “The consequences of a potential introduction of transparency requirements – similar to those of the USA and the EU – for the Swiss commodity sector should be examined – and the drafting of a consultation draft should be considered”.

**April 29<sup>th</sup> 2013.** The Foreign Affairs Committee of the National Council proposed with 17 votes to 6 in favour of a [motion](#) which requires the Federal Council to examine a draft transparency law including the whole Swiss commodity sector (both listed and non-listed companies, extractive and trading activities) and to examine how Switzerland could support a global transparency standard.

**June 11<sup>th</sup> 2013.** Parliament passed this motion on with 93 to 77 votes.

A government report published in **June 2014** acknowledges potential governance issues related to commodity trading. But it states that a Swiss transparency law should emulate EU / US legislation and not go any further by

## Need for transparency and accountability at each stage

