

The CEE Bankwatch Networks Mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation

Bulgaria:
Centre for Environmental Information and Education (CEIE)

For the Earth!

Czech Republic:
Centrum pro dopravu a energetiku

Hnutí Duha

Estonia:
Estonian Green Movement-FoE

Georgia:
Green Alternative

Hungary:
Nature Protection Club of Eotvos Lorand University (ETK)

National Society of Conservationists-FoE (NSC)

Lithuania:
Atgaja

Macedonia:
Eko-svest

Poland:
Polish Green Network (PGN)

Institute of Environmental Economics (IEE)

Romania:
TERRA Mileniul III

Russia:
Sakhalin Environment Watch

Slovakia:
Friends of the Earth - Center for Environmental Public Advocacy (FoE-CEPA)

Ukraine:
National Ecological Centre of Ukraine (NECU)

Kil-woo Lee
Project Manager
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Cc: Anne McGeachin, Senior Project Manager, IASB
Henry Parham, International Coordinator, Publish What You Pay

19.05.2006

Dear Kil-woo Lee,

ED8 Operating Segments – Need for reporting on country-by-country basis

I am writing to urge the IASB to adopt country-by-country reporting within the new standard on Operating Segments.

As a supporter of Publish What You Pay, an international campaign backed by a coalition of over 300 civil society organisations from more than 50 countries worldwide, our organisation advocates greater transparency in the management of revenues paid by the oil, gas and mining industries to governments in developing or transitional countries that are resource-rich. There is a growing international consensus that increased transparency is an essential step towards combating corruption, improving governance and promoting sustainable development in such countries.

We call for country-by-country disclosure requirements to be incorporated into international accounting standards so that information on payments to individual governments is available in companies' annual financial accounts. Because we believe this issue to be of such importance to the extractive industries we are convinced that disclosure of country-by-country payments will be of benefit to users of financial statements in other sectors who need decision-useful information about the scale and location of all reporting entities' international activities.

In submitting our views on ED8, we note that the role of the IASB is "to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards" with the aim to "address a demand for better quality information that is of value to all users of financial statements...and the public" (IASB Due Process Handbook April 2006).

In our view – one shared by many other stakeholders – the publication of information on revenues paid by extractive industry operators and other companies to governments on a country-by-country basis is in the interests of all users of financial statements and the public at large. Both investors and civil society organisations in developed and developing countries are users of company financial statements. Information on payments to governments is vital for comparing the costs of production or operation in various countries. For civil society, greater disclosure will enhance their monitoring of revenue expenditure and budgetary processes more generally.

Manana Kochladze, CEE Bankwatch Network
mailing address: Chavchavadze av 62, 380062, Tbilisi, Georgia
Tel/Fax: +99532 22 1604/ 22 38 74
e-mail: manana@wanex.net
www.bankwatch.org

The extractive industries, which are one of the largest sources of foreign investment in developing countries, often operate in regions that are highly risky and volatile regions yet vital to global energy security interests. The need for greater transparency, accountability and better governance cannot be over emphasised. Transparency reduces a company's reputational risks and contributes to a more stable investment climate: by improving a company's long-term commercial prospects, creating shareholder value and benefiting the societies in which the companies operate.

The revised standard on Operating Segments should, in our opinion, require the disclosure of all material revenue payments (royalties, taxes and other benefit streams) and information on commercial performance by extractive and other companies for each country of operation. It will ensure that there is a level playing field among companies covered by International Financial Reporting Standards, thereby avoiding any competitive disadvantages. This data could be disclosed at relatively little cost because it should all already be available in companies' internal accounts. Any additional costs are far outweighed by the value this data will add to all users of the financial statements.

We hope the IASB will consider carefully Publish What You Pay's submission* and consult widely with civil society organisations in order to ensure that all relevant stakeholders' views are taken into account in the subsequent revision of the Operating Segments standard.

On behalf of CEE Bankwatch Network and its member groups

Yours sincerely,
Manana Kochladze