

Written evidence submitted by the Africa All Party Parliamentary Group (APPG)

1. I am writing as the Chair of the Africa All Party Parliamentary Group (APPG), a cross party group of 180 Parliamentarians who come together to work on pan-African issues. This submission draws on the experiences of Members of the Africa APPG of the extractive industries in Africa.

2. Our experiences point to the enormous potential benefits to both the UK and African countries of UK companies working in the extractives sectors in Africa. For example on a recent Africa APPG delegation to Sierra Leone we learnt that real GDP growth for 2012 has been forecast at 52% by the IMF, largely due to two iron ore extraction projects owned and operated by UK-listed companies. The Government of Sierra Leone's minerals revenue could reach 10-12% of GDP by 2015, providing much-needed finance for the Government to enact its *Agenda for Prosperity*. For the UK, recent hydrocarbon discoveries in Africa, including large gas finds in countries such as Tanzania and Mozambique and large oil finds in countries such as Ghana and Kenya, offer commercial opportunities for British businesses as well as an opportunity to diversify away from a dependence on hydrocarbons from the Middle East, an important geo-strategic benefit to the UK economy. I very much hope the BIS Select Committee inquiry will focus on the benefits the extractive industries can offer, and the ways in which the UK can support the sector.

3. The UK has a key role to play in supporting the extractive industries in Africa because of the UK's, and the City of London's, expertise and prominence as a centre for the extractive industries. In our recent visit to Sierra Leone for example, the two main iron ore extraction projects were run by UK-listed companies, London Mining and African Minerals. This gives UK PLC a high level of visibility in Sierra Leone, which, combined with our political engagement in the country, means both Sierra Leoneans and the broader international community look to the UK as the key international player working in the country. Beyond the obvious benefits to UK industry, it was clear that the involvement of UK-listed businesses provides Her Majesty's Government with important opportunities for engaging with the Sierra Leonean Government on broader UK-priority issues such as corruption and good governance.

4. While the goodwill towards the British people that we experienced in Sierra Leone is helpful for British businesses operating in the country, the political and competitive landscape is changing and the UK is no longer the first and only option for Sierra Leoneans looking to engage with the international community. In particular we noted China's growing presence in Sierra Leone, with the Chinese investing heavily in the large scale infrastructure required for mining projects. The impressive Chinese Embassy building built in 2005 indicated they are taking their engagement in Sierra Leone very seriously. We should be careful not to take for granted our strong relationships with Sierra Leone, and African

countries more generally, but to recognise the benefits that they accrue and to capitalise on them as and wherever possible.

5. It is important the UK maintains its position as a centre for the extractive industries working in Africa because of the economic benefits to both the UK and to African countries, and because of the leverage it provides us with to improve governance around the world.

6. At an individual company level, UK businesses can bring considerable benefits to the countries they work with. By far the most important contribution is through the taxes extractive companies pay to their host Governments, which are used to fund Government programmes, be they healthcare, education or agriculture, amongst others. For example Shell companies paid approximately \$38 billion in taxes and royalties in Nigeria from 2007-2011, overshadowing its corporate social responsibility contributions, which are in the order of tens of millions per year. It is extremely important that this perspective is not lost. Unfortunately local communities such as those we encountered in Sierra Leone often expect more direct pay-offs from British companies working in Africa in the form of schools and hospitals; the UK Government should do all it can to ensure that British companies receive appropriate recognition for the contributions they make to African countries through taxation, and that HMG continues to lead the world in reforming the global tax system, as began during and around the 2013 UK-hosted G8 Summit.

7. It is imperative, however, that breakdowns of tax and royalty payments are made available so that local communities are able to hold their governments to account for the use of this revenue. The UK is well placed to drive up standards and global norms in the extractive industries, through both domestic and international legislation and regulation, and it is extremely important we capitalise on our position as a centre for the extractive industries in order to take a lead on this. UK, US and EU regulation on transparency and governance – the UK Bribery Act, the US Dodd-Frank Act and the EU's Accounting and Transparency Directives - has proved effective in guiding global norms and fears about the risks to competitiveness have not materialised. Around 70% of the world's extractive industries are now covered by EU and US transparency rules, with the Canadian Government and potentially the Swiss Federal Council soon following suite. It is important we maintain momentum in this critical area.

8. It is exceedingly important that HMG launched the UK's EITI process in July of this year because of both the direct benefits of the programme, and because of the clear message it sends to the rest of the world about the importance of transparency in the extractive industries. This process demands and deserves the full support of the UK Government. The UK should also swiftly implement the new EU transparency rules.

9. In addition, it is important that British companies working in Africa employ local workers where possible so that the local population benefits from the investment. British companies have a strong record in doing this, but it is worth noting the reputational damage Chinese business has suffered in many parts of Africa by importing low-skilled workers from China.

10. Overall I am delighted that the Business, Innovation and Skills Select Committee is investigating the crucial role of the extractive industries sector and urge the Committee to consider the knock-on benefits and the opportunities the sector provides the UK to play a leading role in the world. I look forward to reading the final report.

James Duddridge MP
Chair, Africa APPG

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