



February 10, 2015

By E-Mail:

Chair Mary Jo White
Commissioner Luis Aguilar
Commissioner Daniel Gallagher
Commissioner Michael Piwowar
Commissioner Kara Stein

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20459-1090

Re: Dodd-Frank Section 1504 Rule

Dear Chair and Commissioners:

My name is Cecilia Mattia and I am Coordinator of the National Advocacy Coalition on Extractives (NACE) in the West African country of Sierra Leone. I write in support of Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and urge you to release a strong rule requiring companies to publicly report what they pay governments for access to oil, gas, and mineral resources, for each of their projects. NACE's experience, to date, using payment information made available by the Extractive Industries Transparency Initiative (EITI) speaks to the value of this type of data, as well as the need for reporting at a more granular level – namely, by contract, license, or lease.

NACE is a coalition of national and international non-governmental organizations that are united behind a common vision: a Sierra Leone where citizens receive maximum returns for their natural resources, and where natural resource wealth is used to promote balanced development of our country. To achieve this vision, we work to bring transparency and accountability to Sierra Leone's extractives sector.

Sierra Leone is rich in natural resources, with diamonds, rutile, bauxite, iron ore, and gold. Oil was also discovered off the coast in 2009, with additional discoveries made in subsequent years. Among the extractives companies operating in Sierra Leone are New York Stock Exchange-listed Anadarko Petroleum, and Talisman Energy, and London Stock Exchange-listed Lukoil.

There is tremendous potential for natural resources to transform the economy of Sierra Leone. Presently, revenues from Sierra Leone's oil, gas, and mining sector make up less than 1 percent

of our country's GDP; by the year 2020, that figure is expected to jump to 17 percent.¹ If used responsibly, revenue from natural resources can lift millions of Sierra Leoneans out of poverty. There is significant need: Sierra Leoneans have an average life expectancy of just over 45 years, and we have a Human Development Index score that is lower than all but four countries.²

In recent years, transparency in Sierra Leone's extractives sector has modestly improved. Sierra Leone is a member country of the Extractive Industries Transparency Initiative, and local civil society organizations have made extensive use of EITI data. Perhaps most importantly, EITI data has enabled us to expose how little our government asks of the extractives companies operating inside Sierra Leone. Drawing on EITI data, my organization, NACE, produced a report in 2011 in which we calculated that Sierra Leone's treasury received just 4 percent of the value of all minerals exported in 2006, and 7 percent of the value of all minerals exported in 2007.³ The 2007 figure amounted to the country receiving a mere \$10 million for mineral exports valued at \$145 million. We found that our return was significantly lower than comparable countries, and we have since initiated a campaign to urge the government to limit unnecessary tax incentives and exemptions that result in huge losses of revenue.

While EITI data has been helpful, it nevertheless fails to provide Sierra Leoneans with the information we need to make a truly transparent and accountable extractives sector. Primarily to blame is the absence of *project level* data. As it stands, EITI identifies the extractives companies operating in Sierra Leone, and tells us the total amount each company paid to the chiefdom governments. Chiefdom is an administrative unit in Sierra Leone three tiers below the national level (preceded by province and district). Unfortunately, the EITI data does not tell us where *precisely* the companies are operating (even watchdog civil society organizations lack a definitive map), how many projects each company maintains in our country, and how much money the treasury receives for *each* of these projects. Although EITI data is available for each chiefdom, the fact that many of our chiefdoms are *amalgamated* (combined into larger units) often makes EITI reporting complex, confusing, and difficult to check for accuracy; indeed, EITI stakeholders and our own Auditor General have consistently struggled to sort out which chiefdom should and has reported on which projects. A project level reporting requirement is an obvious solution to the problem. Without access to project level data, civil society organizations like NACE can only do so much to ensure that Sierra Leoneans reap the rewards of their natural resource endowment.

To further illustrate the need for project level data, consider how Sierra Leone's revenue sharing mechanisms work. There are two: the Diamond Area Community Development Fund (DACDF), which is up and running, and the Community Development Agreement, which is still being devised. The goal of each is to ensure that local communities benefit from natural resource extraction taking place in their backyards. In the case of the Community Development Agreement, communities will be allocated a percentage of the revenues generated by extractives projects underway on their territory. In order to calculate the amount of money they are entitled to and hold government agencies to account for allocating the correct amount, communities need access to project-level revenue data. As for the DACDF, a diamond-producing chiefdom receives

¹ <https://eiti.org/news/big-jump-revenues-sierra-leone-extractives-sector>

² <http://hdr.undp.org/en/content/table-1-human-development-index-and-its-components>

³ http://www.nacesl.org/newnace/docs/Sierra%20Leone%20Report%202011_follow%20up%20crossroad.pdf

a monetary allocation from the national government – the value of which is determined in part by the number of licenses in the chiefdom. While the American Petroleum Institute proposes that companies report at the first tier below national level, a chiefdom in Sierra Leone represents the *third* tier (again, preceded by province and district). Consequently, the API's proposal would not provide the transparency we need, as it would not tell us how many licenses there are in any given chiefdom. Given the dynamics of the DACDF and the Community Development Agreement, it is essential for civil society organizations to have project level data so we can ensure that communities receive the distributions they are due.

Project level payment data is also necessary to enable communities to conduct an informed cost-benefit analysis of the projects in their backyards. The social and economic costs of extractives projects are often considerable: for example, NACE has documented how Sierra Rutile, a mineral sands producer, has expanded its operations in the country, causing villagers to lose their land. For local communities affected by extractives projects, knowledge of the total, combined amount a company has paid the government for *all* extractives projects is of little value; what matters most to a community is the revenue generated from the specific projects in its backyard. When a single company operates multiple projects, as commonly occurs in Sierra Leone, community oversight becomes nearly impossible without data on each specific project.

In closing, I urge the SEC to reject the American Petroleum Institute's reporting proposal, and instead release a rule for Section 1504 of Dodd-Frank that requires oil, gas, and mining companies to publicly report their payments for each project. NACE and other organizations like mine have made extensive use of the EITI data, and it has helped make our country's extractives sector work better for the citizens of Sierra Leone. Access to project-level data is essential if we are to build upon our successes.

Thank you very much for your consideration.

Sincerely,



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