

## Direct Social Expenditures

Background paper for the EITI Strategy Working Group

April 2012

Below are preliminary ideas about the necessity of transparency over social expenditures, and an example of the use of this information from Peru. This will be a topic of discussion at the June EITI seminar that will precede the Board meeting.

### 1. Direct social expenditures by companies

- a. Extractive companies make direct social expenditures which may be insignificant in absolute value if compared to taxes and royalties, but are very significant because of their huge impact on small local economies and social and institutional arrangements
- b. Direct social expenditures are channeled by the companies themselves and already existing or company created foundations and NGOs.
- c. Direct social expenditures are private but should be subject to transparency and accountability regulations, to civil society monitoring and to EITI because: i) They are funded by resources obtained on the basis of concessions of natural resources that belong to the citizens; ii) They are used to build public goods; iii) They are used to influence public local agendas; iv) Poorly used, they can have, and do have, devastating effects on the local institutional and social fabric
  - i. ***Peru's Ministry of Energy and Mines has made available the information regarding the resources spent in the context of the Voluntary Solidarity Program agreed with the mining sector and implemented between 2007 and 2011. The civil society organization Grupo Propuesta Ciudadana has been monitoring this program and on the basis of the information made available by the companies and the government, effectively discussing –with the companies and the governments- the specific results of various direct social expenditures.***