

## Revenue Transparency

# The Revenue Watch Index

The Revenue Watch Index marks the first attempt to measure and compare the information governments disclose about the oil, gas and mining industries, including payments to those governments for exploitation of their reserves, production data and the terms of contracts. It is a key tool for citizens, elected officials, civil society and media seeking greater access to resource information.

### BACKGROUND

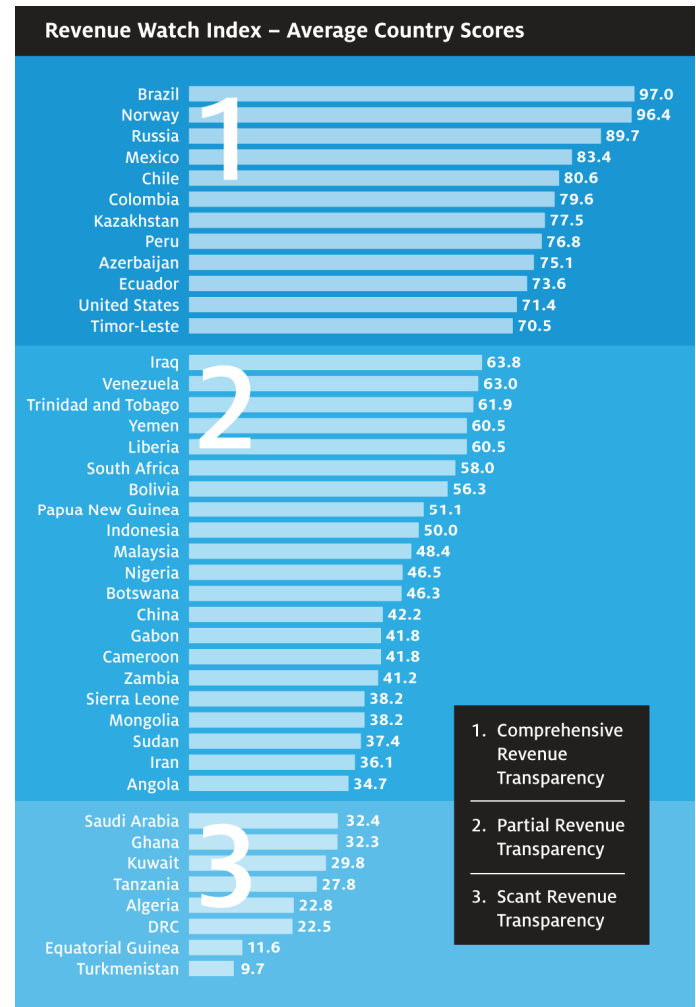
Oil, natural gas and mining play a critical role for resource-rich countries and in the global economy. Industrialized countries depend heavily on these resources, and investment in these extractives industries in developing countries is increasing dramatically. From 2000 through 2008, mineral resources accounted for 24 percent of Africa's GDP growth, and over the next 20 years an estimated 90 percent of hydrocarbon production is expected to originate in developing countries.

Openness about revenues from natural resources is essential for countering mismanagement, high-level corruption and citizens' mistrust of government stewardship of resource wealth. This index assesses 41 resource-rich countries that have almost half of the world's population and are among the top producers of petroleum, gold, copper and diamonds. They include advanced industrial countries such as Norway and the United States as well as countries that rank among the world's poorest despite being endowed with vast natural resources.

### WHAT THE INDEX MEASURES

To measure transparency of revenues, the index evaluates the availability of information in seven key areas of natural resource management:

- **Access to resources:** the availability of data detailing contracts and licensing terms and procedures, as well as



Country scores are constructed as an average of the Revenue Watch Index's transparency indicators. Countries are ranked according to their average score. To learn more and download report data, go to: [www.revenuewatch.org/rwindex](http://www.revenuewatch.org/rwindex).

- the legal and regulatory mechanisms related to the accessibility of information.
- **Generation of revenue:** the availability of detailed information published by government agencies on production and payments, as well as an assessment of its accessibility and frequency.
- **Institutional setting:** the rules, roles and responsibilities of the main actors involved in the management of revenue generation, as well as the presence of internal controls and other checks.

- **State-owned companies:** the availability of information regarding the governance structures of state-owned entities and the reporting practices related to their activities.
- **Natural resource funds:** the rules governing the operation of funds and their reporting practices.
- **Sub-national transfers:** the laws that regulate the sharing of revenues among different levels of government and the disclosure of information about this sharing.
- **Extractive Industry Transparency Initiative (EITI):** the extent to which member countries have fulfilled EITI criteria, such as publication of EITI reports and information about payments and revenue from state-owned companies).

## A MIXED RECORD OF REVENUE TRANSPARENCY

The index shows that the public availability of information regarding key aspect for natural resource revenue generation is limited around the world – that citizens are missing essential information about how much their governments are earning from the sale of state-owned natural resources.

Azerbaijan, Brazil, Chile, Colombia, Ecuador, Kazakhstan, Mexico, Norway, Peru, Russia, Timor-Leste and the United States provide relatively comprehensive information on production of minerals, hydrocarbons and their profits. At the lower end of the index, Algeria, the Democratic Republic of Congo, Equatorial Guinea, Ghana, Kuwait, Saudi Arabia, Tanzania and Turkmenistan provide scarce or very little information.

Contract transparency is rare among all the countries surveyed, with Colombia, Liberia, Peru, Timor-Leste and the United States being the only governments that publish their contracts (or leases) in full. Even in these cases, the information may be hard to find. Many governments do not disclose contracts even to their legislatures.

## OUR RECOMMENDATIONS FOR GOVERNMENTS

1. Resource ministries should meet the same standard of reporting and data provision as other public institutions controlling important public resources, notably the central bank and finance ministry.
2. Contract transparency needs to improve substantially in all resource-rich countries. Contracts, details about investment agreements and the fiscal regime in the extractive sector should be open to public scrutiny.

3. Countries that are important international financial hubs for extractive companies should take the lead in promoting transparency in the sector.
4. Governments should make periodic, comprehensive and timely reporting a mandatory requirement for their state-owned companies.
5. Countries with natural resource funds should develop measurable benchmarks to monitor transparency and accountability of these accounts.
6. Governments should make information about resource revenue transfers available to all their citizens. Sub-national governments should be held to the same disclosure standards as national governments.
7. Parliaments in resource-rich countries need to make better use of their oversight powers to provide more effective checks on executive powers.
8. All resource-rich countries should implement EITI.

## FOR INTERNATIONAL ORGANIZATIONS

1. The International Accounting Standards Board (IASB) should approve reforms requiring companies to report key information about oil and mining activities on a country-by-country basis.
2. Policy makers in G20 countries should agree on a set of transparency standards for resource management and commit to follow best practice at home.
3. International financial institutions and donors should support countries implementing EITI and promote contract transparency in the extractive sector.

## FOR THE EITI INTERNATIONAL BOARD AND EITI MEMBERS

1. EITI requirements need to be strengthened.
2. Disclosure of information within the EITI process should be verifiable, regular, comprehensive and timely.

## FOR CIVIL SOCIETY ORGANIZATIONS

1. The index can serve as a road map for action, allowing civil society organizations to focus their efforts on the major weakness in countries where they operate. It can also be the basis of an objective dialogue with governments, media and oversight bodies to promote specific reforms to strengthen transparency and accountability.