

Revenue Watch Index

Middle East and North African Region the oil, gas and mining industries

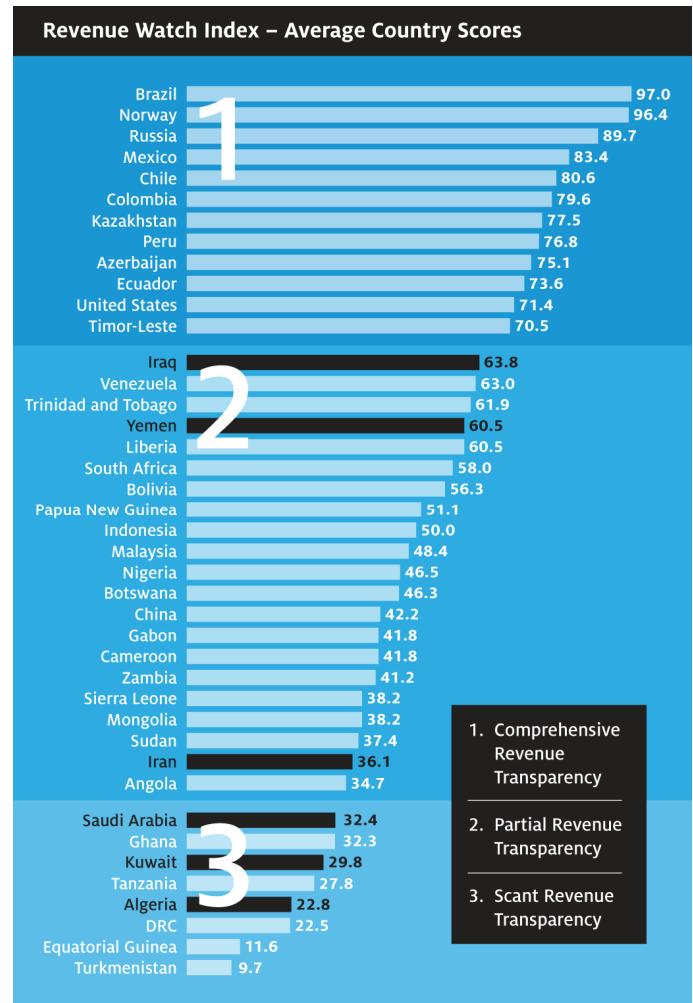
The Revenue Watch Index is the first attempt to measure and compare the information governments disclose about the oil, gas and mining industries, an especially important economic sector in the Middle East and North Africa. The region produces around a third of the world's petroleum, and four of the six MENA countries included in the index are among the world's 10 largest producers. Governments in the region also control over half of the global oil reserves, making natural resources critical for the economies of these countries. Transparency in this sector is essential to ensure that profits are used for the benefit of the public.

MAIN FINDINGS

The majority of MENA governments included in the survey do not provide their populations with essential information about the revenues they earn from exploitation of oil, gas and mining, or about the management of the extractive sector. Iraq and Yemen have the highest scores in this region followed by Iran, all three placing in the middle tier of the Revenue Watch Index's ranking of countries. Algeria, Kuwait and Saudi Arabia fall in the lowest tier, with poor scores across the different assessed areas.

The index shows that the majority of MENA countries surveyed provide limited public information on their natural resource sector. This lack of transparency undermines the ability of citizens to hold their government accountable for its performance in managing public resources.

Opacity is nearly the rule at all levels of natural resource governance in these states. For example, none of the



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.

governments of the region discloses contracts. Kuwait and Saudi Arabia disclose no information on oil contracts or details of agreements between state-owned companies and international private companies. Although Iraq has recently organized transparent and competitive rounds of bidding for new oil licenses, its parliament has yet to approve a petroleum law, despite many months of effort. Moreover, no MENA government publishes reports about the environmental and

social impact of the activities of extractive industries in their territory. In practice, most parliaments in the region lack powers to constitute effective checks on executive offices.

Iraq and Yemen provide relatively detailed information about management of the extractive sector and government revenues, but their state-owned companies disclose scant information about their operations and finances. Kuwait KPC is the only state-owned company among those surveyed in the region that publishes reports audited by an independent international auditing company. Saudi Arabia is known to audit its state-owned company, but the audited reports are not made public. In the case of Algeria and Iran, their state-owned companies are audited by governmental agencies, but disclosure of these reports is irregular and audit standards remain unclear.

Countries in this region use natural resource funds to channel profits from petroleum exports for varying purposes. In Algeria and Iran, the funds are used as stabilization instruments to guard against the volatility of prices. In Iraq, Kuwait and Saudi Arabia, the funds are investment vehicles for the government. Of all these funds, only Iraq's Development Fund publishes reports on its assets and transactions, and releases audited reports.

Furthermore, the majority of countries in this region have centralized budgets that do not transfer revenue based on oil production to local governments. Iraq is an exception, and it is notable that the Iraqi government publishes rules for revenue sharing and information on transfers to provinces, transfers that are based on population size.

Despite having the highest dependence on extractive industries in the world, governments in the region have shown relatively little interest in the Extractive Industry Transparency Initiative (EITI). Although Iraq and Yemen have decided to participate in the EITI, they have yet to publish a report for this initiative. Other countries in this region should join the EITI to demonstrate a commitment to transparency and accountability, and to allow the participation by civil society in discussions that are critical for MENA countries.

Countries in the region should improve reporting practices in their management of natural resources, and make disclosure of information the starting point to improve accountability.

OUR RECOMMENDATIONS

1. Contract transparency needs to improve substantially in the resource-rich countries of the MENA region. Contracts, details about investment agreements and government income from oil and gas industries should be open to public scrutiny.
2. Countries should require oil and gas companies operating within their borders to disclose detailed financial information on oil, gas and mining projects.
3. All resource-rich countries in the region should implement EITI.
4. Resource ministries and state-owned companies should meet the same standard of public reporting as central banks, finance ministries and other public institutions controlling important public resources.
5. Governments should make periodic, comprehensive and timely reporting a mandatory requirement for their state-owned natural resource companies.
6. MENA countries should develop standards for monitoring transparency of the financial operations and expenditures of natural resource funds.
7. Governments in the region should publish reports about the social and environmental impact of extractive activities.

The Revenue Watch Index evaluates the availability of information in seven key areas of natural resource management: access to resources, generation of revenue, institutional setting, state-owned companies, natural resource funds, sub-national transfers and implementation of the Extractive Industry Transparency Initiative.

The index, which ranks countries according to their score out of a possible total of 100, can be an important tool for citizens, elected officials, civil society and media seeking greater access to resource information.