The 2013

Resource Governance Index

A Measure of Transparency and Accountability in the Oil, Gas and Mining Sector

REVENUE WATCH INSTITUTE

The **Revenue Watch Institute** promotes the effective, transparent and accountable management of oil, gas and mineral resources for the public good. Through capacity building, technical assistance, research, funding and advocacy, we help countries to realize the development benefits of their natural resource wealth.

The 2013
Resource Governance Index
Summary

The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. These nations produce 85 percent of the world's petroleum, 90 percent of diamonds and 80 percent of copper, generating trillions of dollars in annual profits. The future of these countries depends on how well they manage their oil, gas and minerals.

The RGI scores and ranks the countries, relying on a detailed questionnaire completed by researchers with expertise in the extractive industries. The Index assesses the quality of four key governance components: Institutional and Legal Setting; Reporting Practices; Safeguards and Quality Controls; and Enabling Environment. It also includes information on three special mechanisms used commonly to govern oil, gas and minerals—state-owned companies, natural resource funds and subnational revenue transfers.

The Index finds that only 11 of the countries—less than 20 percent—have satisfactory standards of transparency and accountability. In the rest, the public lacks fundamental information about the oil, gas and mining sector. Even countries with generally satisfactory standards exhibit weaknesses in some dimensions. There is a major governance deficit in natural resources around the world, and the deficit is largest in the most resource-dependent countries, where nearly half a billion people live in poverty despite that resource wealth. Fortunately, some countries, including several emerging economies, show that satisfactory performance in resource governance is possible.

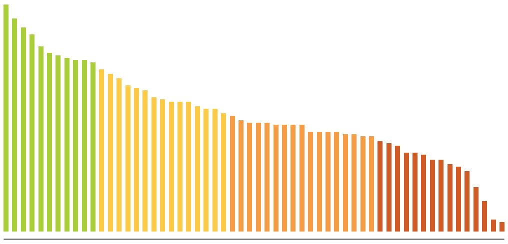
As a way forward, the Revenue Watch Institute calls on governments to:

- Disclose contracts signed with extractive companies.
- Ensure that regulatory agencies publish timely, comprehensive reports on their operations, including detailed revenue and project information.
- Extend transparency and accountability standards to state-owned companies and natural resource funds.
- Make a concerted effort to control corruption, improve the rule of law and guarantee respect for civil and political rights, including a free press.
- Accelerate the adoption of international reporting standards for governments and companies.

To see the longer version of this report and the research database, go to www.revenuewatch.org/rgi.

Introduction

The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries.[1] From highly ranked countries like Norway, the United Kingdom and Brazil to low-ranking countries like Qatar, Turkmenistan and Myanmar, the Index identifies critical achievements and challenges in natural resource governance.



The 58 countries assessed in the Index produce 85 percent of the world's petroleum, 90 percent of diamonds and 80 percent of copper.

The 58 countries produce 85 percent of the world's petroleum, 90 percent of diamonds and 80 percent of copper. Profits from their extractive sector totaled more than $2.6 trillion in 2010. In 41 of these countries, the extractive sector contributed a third of gross domestic product and half of total exports on average. Revenues from natural resources dwarf international aid: In 2011, oil revenues for Nigeria alone were 60 percent higher than total international aid to all of sub-Saharan Africa.[2] The future of these countries depends on how well they manage their oil, gas and minerals.

Mismanagement and corruption have many manifestations and can have dire consequences. Some countries negotiate poor terms with extractive companies, forsaking potential long-term benefits. Many countries do not collect resource revenues effectively. And even when resource revenues do end up in government coffers, they aren't always spent in ways that benefit the public. Too often, governments keep citizens and civil society leaders in the dark regarding government contracts and resource revenues. This opacity deprives the public of a voice or even representation in basic decisions on natural resources.

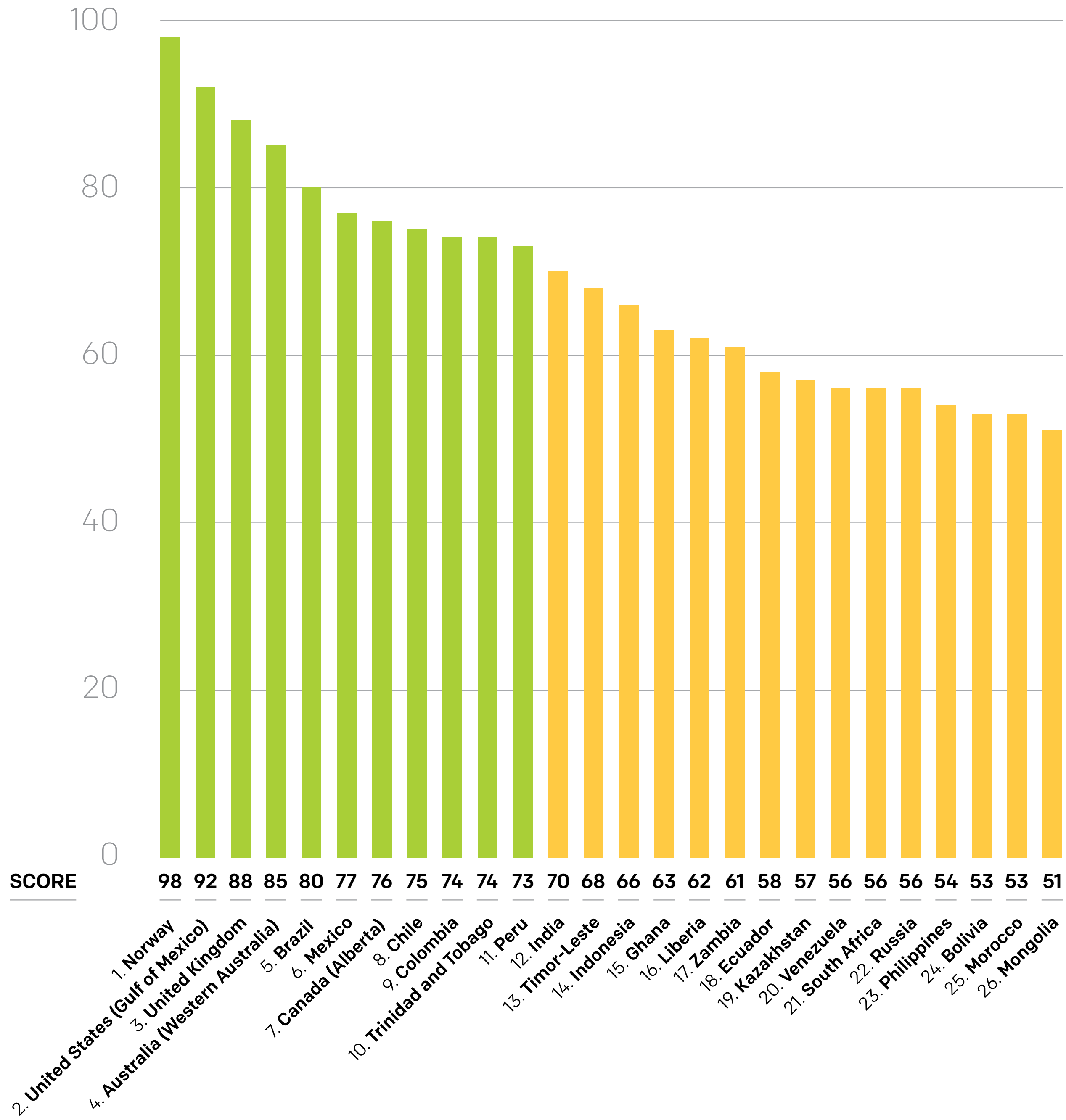
The RGI is based on the premise that good governance of natural resources is necessary for the successful development of countries with abundant oil, gas and minerals. It provides a diagnostic tool to help identify good practices as well as governance shortcomings.

The RGI evaluates four key components of resource governance in each country: Institutional and Legal Setting; Reporting Practices; Safeguards and Quality Controls; and Enabling Environment. The Index (See Figure 1) assigns a numerical score to each country and divides them into four performance ranges—satisfactory (71–100, marked in green), partial (51–70, yellow), weak (41–50, orange) and failing (0–40, red).

This report includes a summary of the Index methodology, an analysis of the main findings, and conclusions on the potential contribution of the Index to applied research, diagnostics and reform. A longer version of this report with additional analysis of the components and more methodological details, as well as the full database and country profiles, can be found at www.revenuewatch.org/rgi.

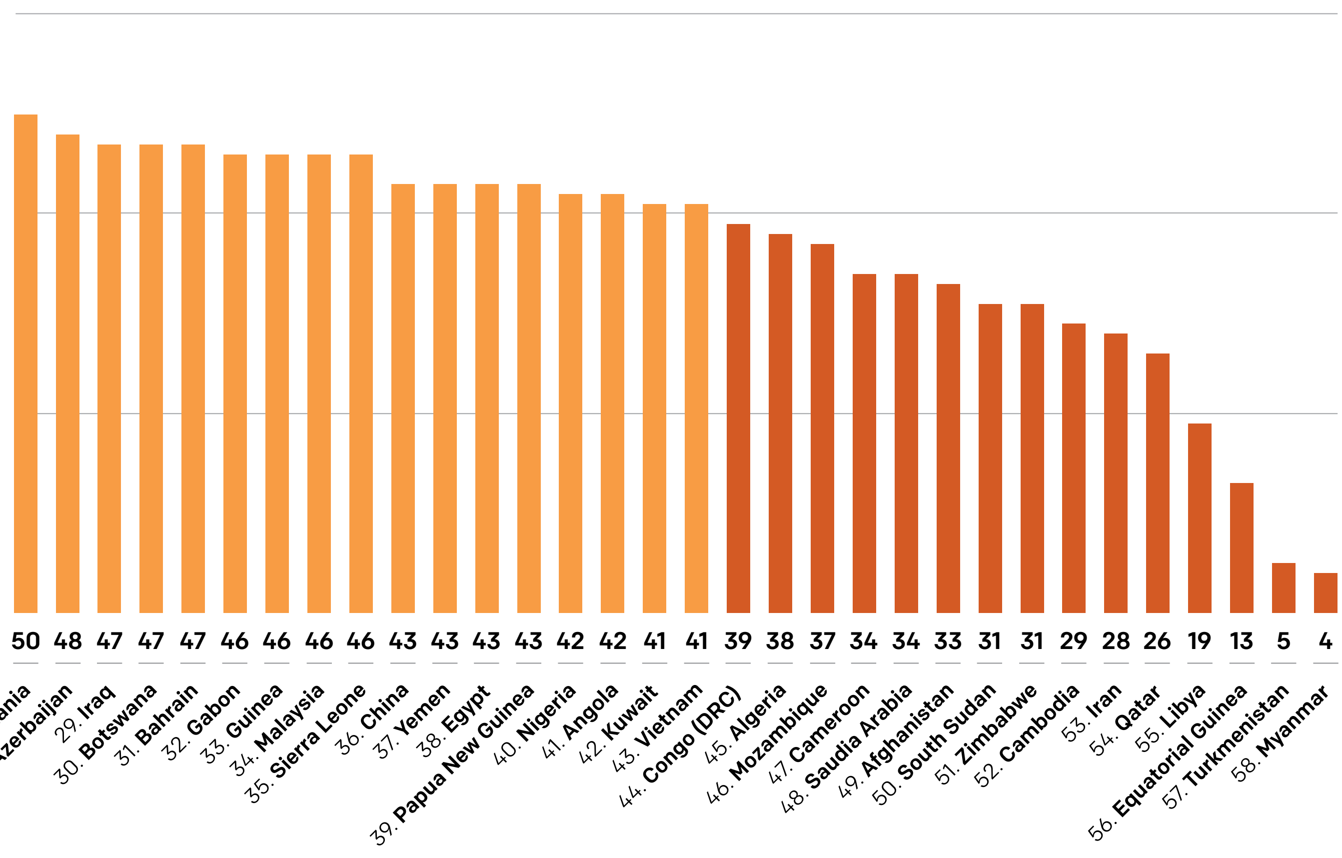
Figure 1

The Resource Governance Index
Country Scores and Ranking



Satisfactory
Partial
Weak
Failing

Country scores are constructed as a weighted average of four components that together contain 50 indicators. Countries are ranked according to their score. To learn more and download data, go to www.revenuewatch.org/rgi.



Note: Ranks appear in front of country names and composite scores below each column.

Methodology

To evaluate the quality of governance in the extractive sector, the Resource Governance Index employed a 173-item questionnaire.[3] During January–October 2012, 46 expert researchers gathered original data on all 58 jurisdictions, answering the standardized questions. The findings were examined by 56 peer reviewers and independently reviewed by Revenue Watch staff.

The answers to the 173 questions were clustered into 45 indicators. The indicators were then mapped into three (of the four) RGI components: Institutional and Legal Setting, Reporting Practices, and Safeguards and Quality Controls. The fourth component, Enabling Environment, consists of five additional indicators that describe a country's broader governance environment; it uses data compiled from more than 30 external sources by the Economist Intelligence Unit, International Budget Partnership, Transparency International and Worldwide Governance Indicators. The Index is therefore a hybrid, with three components based on the questionnaire specifically assessing the extractive sector, and the fourth rating the country's overall governance (see Figure 2).

The composite Index score is a weighted average of the four components. Reporting Practices receives a greater weight because *de facto* reporting—rather than rules or laws that might be ignored—best captures the actual level of transparency in a given country.[4]

Figure 2

The Four Components of the Resource Governance Index

Institutional and Legal Setting *(20 percent)*	**Reporting Practices** *(40 percent)*	**Safeguards and Quality Controls** *(20 percent)*	**Enabling Environment** *(20 percent)*
10 INDICATORS *(16 questions)*	**20 INDICATORS** *(122 questions)*	**15 INDICATORS** *(35 questions)*	**5 INDICATORS**
The degree to which the laws, regulations and institutional arrangements facilitate transparency, accountability and open/fair competition.	The actual disclosure of information by government agencies. Because *de facto* disclosures are the best indicator of transparency, this component receives a greater weight.	The presence and quality of checks and oversight mechanisms that encourage integrity and guard against conflicts of interest.	The broader governance environment, based on more than 30 external measures of accountability, government effectiveness, rule of law, corruption and democracy.

Main Findings

Included in the components are 24 indicators that evaluate the governance of three special mechanisms present in the majority of the 58 countries: state-owned companies (10 indicators), natural resource funds (eight indicators) and subnational transfer of resource revenues (six indicators). These indicators are used to arrive at separate scores for the particular institutions and practices.

All 58 countries included in the Index produce hydrocarbons and/or minerals. For countries that produce both types of resources, the Index assesses governance in the one that generates the most revenue. We address oil and gas in 40 countries and minerals in the remaining 18. For the three federal countries with decentralized natural resource governance (United States, Canada, Australia), we assess one resource-producing region. For India, the Index focuses on the federally managed gas sector.

Margins of error are a serious consideration in any cross-national data project in governance as in other areas. We estimate RGI margins of error based on the extent of disagreement across indicators and components, which are all observed proxies for the unobserved "true" quality of governance. On average, the implied margin of error for a country score is +/- 13 points (90 percent confidence level).[5]

RWI released a pilot index on natural resource transparency in 2010. It included 41 countries and focused on reporting practices only, based on a limited questionnaire. It took a different methodological approach and did not estimate margins of error. Given these and other adjustments, the 2010 and 2013 findings are not comparable.

The RGI shows a striking governance deficit in natural resource management worldwide.

Only 11 countries earn an overall score of above 70. The vast majority of countries exhibit serious shortcomings in resource governance (see Figure 3).

More than half the sample, 32 countries, do not meet even basic standards of resource governance, performing weakly or simply failing. Among the 15 failing countries, seven score below 30: Cambodia, Iran, Qatar, Libya, Equatorial Guinea, Turkmenistan and Myanmar. As of 2012, when the data collection took place, these countries failed to disclose any meaningful information about the extractive sector and lacked basic governance standards.

There is room for improvement even among the 11 top-ranked satisfactory performers. For example, Brazil and Chile fail to publish their extractive industry contracts. Western Australia does not require public officials to disclose information about their financial interest in mining projects.

An examination of the four RGI components clearly shows the endemic nature of the resource governance deficit. Only Norway, the United Kingdom and the United States (Gulf of Mexico) earn a satisfactory score in all four components, leaving 95 percent of the sample without satisfactory standards in one or more areas. In the Reporting Practices component, the vast majority of countries (45 out of 58) have partial, weak or failing standards of transparency. In these countries, citizens lack access to fundamental information about the oil, gas and mining sector. For instance, a country might provide little or no information about which companies (domestic and foreign) operate in the extractive sector, how much the government collects in resource revenues and where those funds are allocated.

Figure 3

Composite and Component Scores

Rank	Country	Resource Measured	Composite Score	Institutional and Legal Setting	Reporting Practices	Safeguards and Quality Controls	Enabling Environment
1	*Norway*	Hydrocarbons	98	100	97	98	98
2	United States (Gulf of Mexico)	Hydrocarbons	92	88	97	89	90
3	United Kingdom	Hydrocarbons	88	79	91	83	93
4	Australia (Western Australia)	Minerals	85	88	87	65	96
5	Brazil	Hydrocarbons	80	81	78	96	66
6	*Mexico*	Hydrocarbons	77	84	82	81	53
7	Canada (Alberta)	Hydrocarbons	76	67	72	74	96
8	*Chile*	Minerals	75	77	74	65	87
9	Colombia	Hydrocarbons	74	75	73	91	58
10	*Trinidad and Tobago*	Hydrocarbons	74	64	83	86	52
11	*Peru*	Minerals	73	88	83	56	55
12	India	Hydrocarbons	70	60	72	83	61
13	*Timor-Leste*	Hydrocarbons	68	77	82	70	28
14	*Indonesia*	Hydrocarbons	66	76	66	75	46
15	Ghana	Minerals	63	79	51	73	59
16	*Liberia*	Minerals	62	83	62	71	31
17	*Zambia*	Minerals	61	71	62	72	37
18	*Ecuador*	Hydrocarbons	58	70	64	65	28
19	*Kazakhstan*	Hydrocarbons	57	62	58	76	32
20	*Venezuela*	Hydrocarbons	56	57	69	67	18
21	South Africa	Minerals	56	69	31	75	72
22	*Russia*	Hydrocarbons	56	57	60	62	39
23	Philippines	Minerals	54	63	54	51	46
24	*Bolivia*	Hydrocarbons	53	80	47	63	32
25	Morocco	Minerals	53	48	60	56	42
26	*Mongolia*	Minerals	51	80	39	49	48

Satisfactory
Partial
Weak
Failing

Notes: (1) Resource-rich countries, as defined by the IMF, appear in italics.

Rank	Country	Resource Measured	Composite Score	Institutional and Legal Setting	Reporting Practices	Safeguards and Quality Controls	Enabling Environment
27	*Tanzania*	Minerals	50	44	48	68	42
28	*Azerbaijan*	Hydrocarbons	48	57	54	51	24
29	*Iraq*	Hydrocarbons	47	57	52	63	9
30	*Botswana*	Minerals	47	55	28	53	69
31	*Bahrain*	Hydrocarbons	47	38	40	59	58
32	*Gabon*	Hydrocarbons	46	60	51	39	28
33	*Guinea*	Minerals	46	86	45	43	11
34	*Malaysia*	Hydrocarbons	46	39	45	39	60
35	*Sierra Leone*	Minerals	46	52	47	59	24
36	China	Hydrocarbons	43	43	46	46	36
37	*Yemen*	Hydrocarbons	43	57	46	52	16
38	Egypt	Hydrocarbons	43	40	44	48	40
39	*Papua New Guinea*	Minerals	43	59	34	50	38
40	*Nigeria*	Hydrocarbons	42	66	38	53	18
41	*Angola*	Hydrocarbons	42	58	43	52	15
42	*Kuwait*	Hydrocarbons	41	28	43	36	57
43	*Vietnam*	Hydrocarbons	41	63	39	31	30
44	*Congo (DRC)*	Minerals	39	56	45	42	6
45	*Algeria*	Hydrocarbons	38	57	41	28	26
46	*Mozambique*	Hydrocarbons	37	58	26	37	37
47	*Cameroon*	Hydrocarbons	34	63	33	25	17
48	*Saudi Arabia*	Hydrocarbons	34	30	35	31	38
49	*Afghanistan*	Minerals	33	63	29	38	8
50	South Sudan	Hydrocarbons	31	80	17	35	8
51	Zimbabwe	Minerals	31	48	23	56	6
52	Cambodia	Hydrocarbons	29	52	13	46	20
53	*Iran*	Hydrocarbons	28	26	33	26	23
54	*Qatar*	Hydrocarbons	26	15	14	20	66
55	*Libya*	Hydrocarbons	19	11	29	15	10
56	*Equatorial Guinea*	Hydrocarbons	13	27	14	4	4
57	*Turkmenistan*	Hydrocarbons	5	13	4	0	3
58	Myanmar	Hydrocarbons	4	8	5	2	2

The governance deficit is largest in the most resource-dependent countries.

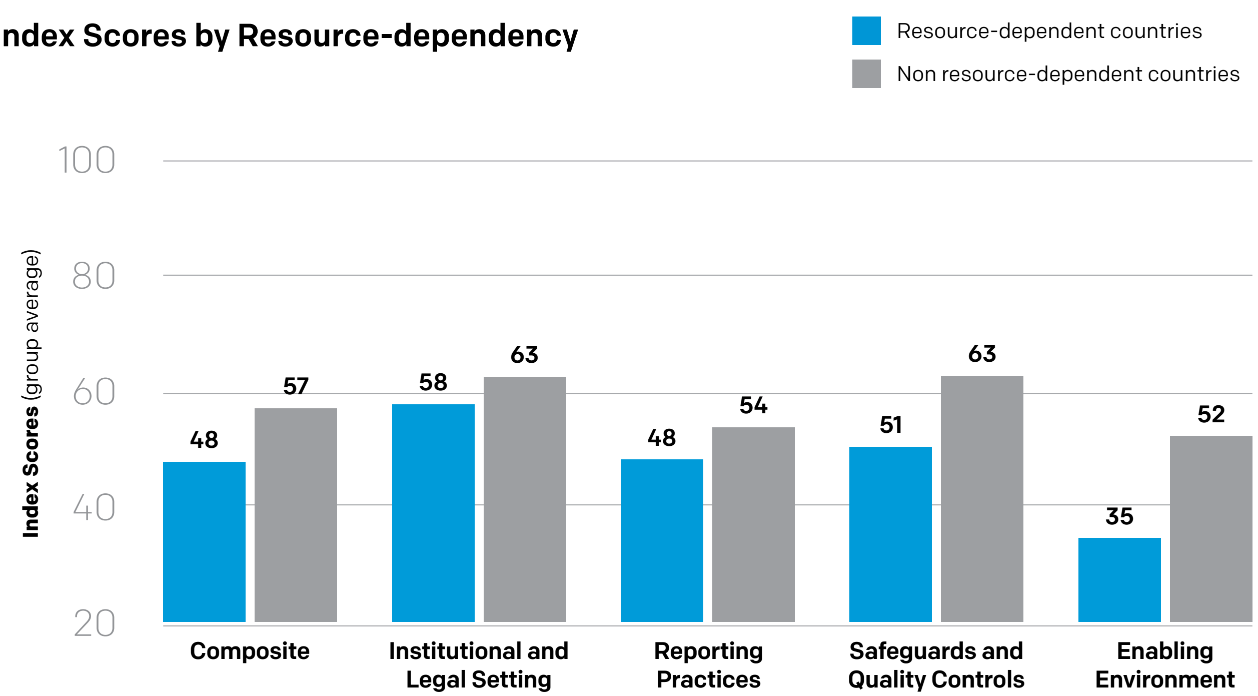
Of the 58 countries in the RGI, 41 are classified as resource-rich by the International Monetary Fund.[6] That is, in each of these countries, oil, gas and/or minerals dominate the economy, making up at least 25 percent of gross domestic product (GDP), exports or government revenues. Only five of the 41 countries (Norway, Mexico, Chile, Peru and Trinidad and Tobago) have satisfactory standards of resource governance (a composite score of 70 or more).

Resource-rich countries receive an average score of 48 in the RGI composite, nine points lower than the average of their 17 less resource-dependent peers (see Figure 4). Similar disparity is evident in all four components of the Index. Among the resource-rich countries, only Norway rates satisfactory in all components. Thirty-seven of the resource-rich countries rate less than satisfactory in at least two of the four components.

Transparency is missing in the countries where it is needed most. Nine of the 15 failing performers (Algeria, Cameroon, the Democratic Republic of Congo (DRC), Equatorial Guinea, Iran, Libya, Qatar, Saudi Arabia and Turkmenistan) are among

Figure 4

Index Scores by Resource-dependency



Nine of the 15 worst performers on the Index are among the most resource-dependent countries in the world.

the most resource-dependent countries in the world. In 2010, resource profits in these countries totaled more than $530 billion, or about $1,500 per capita; oil, gas and mining contributed an average of 34 percent of GDP and a staggering 60 percent of total government revenues. Resource wealth of this scale affects every aspect of economics and politics in these countries. Yet governments provide the public negligible, if any, information about the industry on which their economic future depends.

The governance deficit affects nearly 450 million poor people in the most resource-dependent countries.

The share of the population living on less than two dollars a day is higher at the bottom half of the RGI ranking. In 26 resource-rich countries with weak and failing performance, more than 300 million people (or 50 percent of their combined populations) live on less than two dollars a day.[7] By comparison, in countries scored as having partial performance, 149 million people (32 percent of the population) live on less than two dollars a day; for the countries with satisfactory performance, the figure is 10 million people (7 percent of the population).

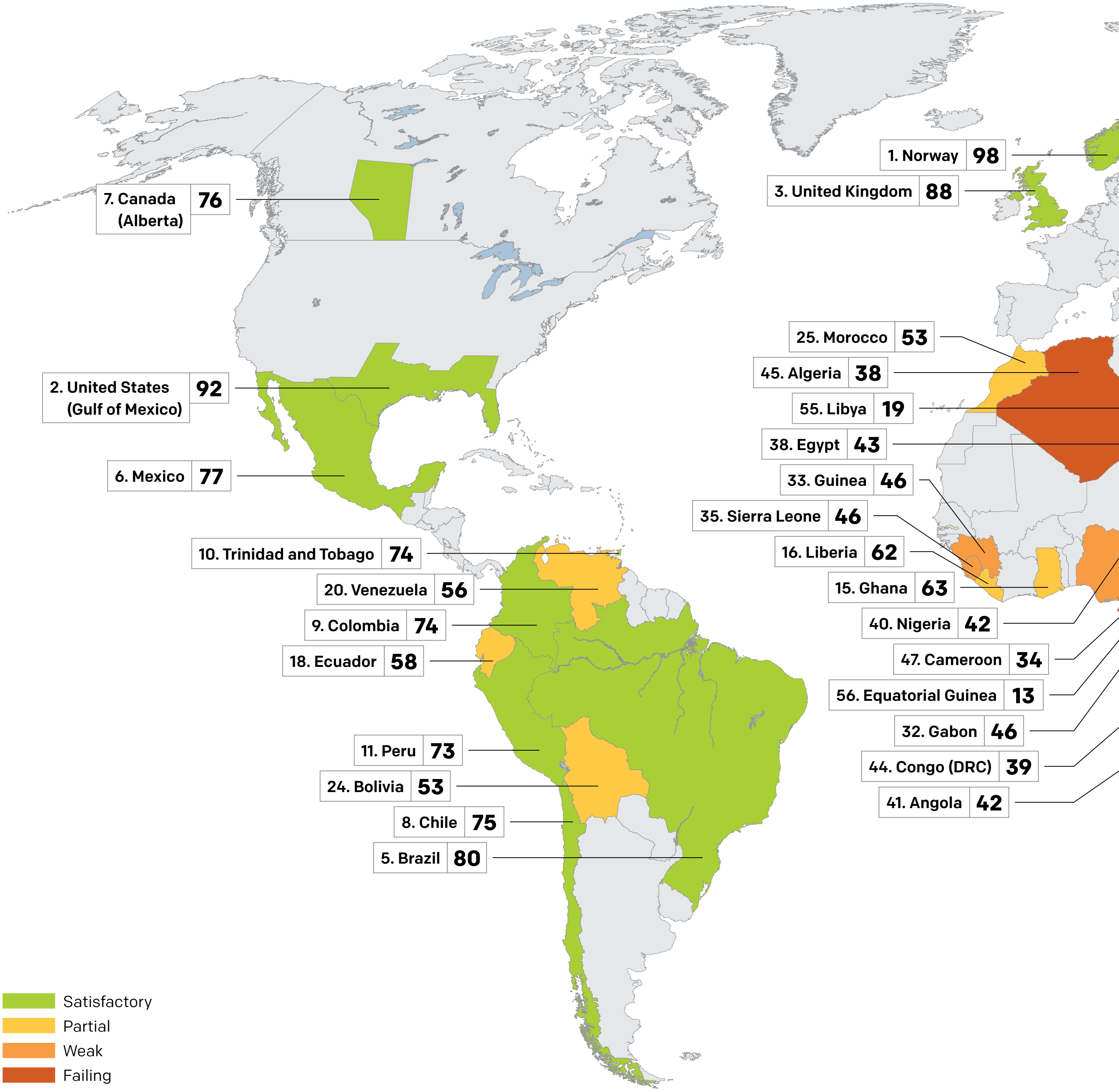
Satisfactory performance is possible in diverse contexts.

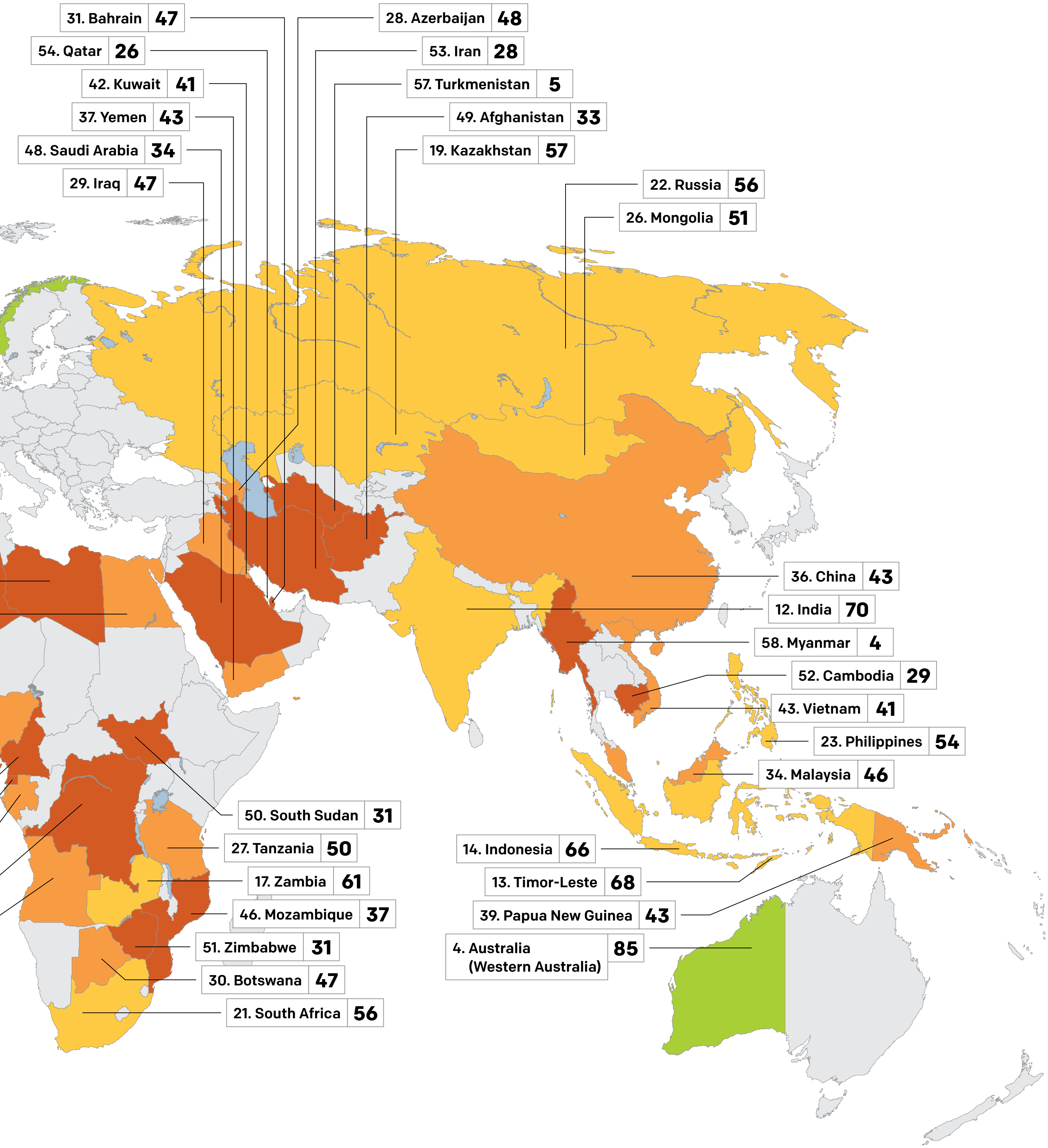
Six of the 11 top performers are middle-income countries—Brazil, Chile, Colombia, Mexico, Peru, and Trinidad and Tobago—showing that being wealthy is not a precondition for good governance. And with the exception of Brazil, all are resource-rich, demonstrating that resource dependence does not preclude transparency and accountability. The Index shows it is possible to adopt high reporting standards, including disclosure of timely, extensive information on operations and primary sources of revenue, when the extractive sector is of the utmost political and economic importance.

Even countries facing significant economic challenges exhibit good practices in selected components. For instance, Timor-Leste has adopted transparent and accountable systems for managing its oil wealth. And though Guinea's overall minerals governance is weak, it recently initiated reforms to improve, as reflected in its high Institutional and Legal Setting score. Afghanistan and the DRC, both rated failing for overall resource governance, recently decided to publish most of their extractive contracts. These improvements could be a springboard for more decisive resource governance reforms.

Figure 5

Global Performance on the RGI
Country Ranking and Scores





Note: Ranks appear in front of country names and composite scores after country names.

Defining the Governance Deficit

Each component reveals specific governance shortcomings.

The RGI components measure how well countries address four practical challenges. Does the prevailing legal and institutional framework support transparency and accountability? What information is published about the complex and lucrative resource sector? What safeguards are in place to promote integrity in its governance? Finally, is the broader institutional environment conducive to accountable resource governance? Changes in one component can affect governance as a whole. As areas of analysis and policy reform, they should be considered individually as well as collectively.

Institutional and Legal Setting: Laws and systems that encourage integrity and openness, including basic transparency guidelines, are lacking in many countries. Thirty-eight of the Index countries lack a freedom of information law. Some of the most resource-dependent countries, such as Angola and Saudi Arabia, have no reporting requirements pertaining to the oil, gas and mining sector. In 20 countries, including Cameroon and Venezuela, substantial resource revenues bypass the national treasury. And though the experience of countries such as Mozambique suggest the Extractive Industry Transparency Initiative can be a path for release of revenue data, 30 of the 58 Index countries have yet to sign up.

Reporting Practices: Most countries fail to provide access to comprehensive information about extractive sector operations and payments. Twenty-one countries do not publish information on primary sources of revenue such as royalties, taxes and profit shares. Thirty countries publish either scant or no information about licensing practices. Only 10 of the 58 Index countries publish most of their oil, gas and mineral contracts and licenses, though this group is growing with the recent disclosures by Afghanistan, Ghana and Guinea.

Safeguards and Quality Controls: Most countries lack mechanisms for limiting conflicts of interest, curbing discretionary powers and ensuring the quality of disclosed information. Thirty-eight countries, including Peru and Saudi Arabia, do not publish audits of government finances or publish them more than a year late. In 31 countries, such as Botswana and Timor-Leste, the legislature exerts negligible oversight of contracting and licensing processes; in 29 countries, including Chile and Sierra Leone, the legislature has very limited oversight over resource revenues.

Enabling Environment: Thirty-four countries score below 40 in this component. They have high levels of corruption, limited government effectiveness or opaque budgets, or lack democratic institutions and rule of law. Some countries, including Azerbaijan, Russia and Venezuela, receive relatively low scores on this component due to poor records in broader national governance areas including corruption, civil and political liberties and democratic accountability. In these cases, natural resource transparency is less likely to improve the ability of citizens to hold governments accountable. On the other hand, Botswana, Malaysia, Qatar and South Africa score well in government effectiveness and control of corruption, but fall short on the other Index components. In these cases, resource governance and transparency are problem areas that lag behind the overall governance environment.

The governance gap extends to state-owned companies, natural resource funds, and subnational transfers.

State-owned companies (SOCs), natural resource funds (NRFs) and subnational resource revenue transfers play crucial roles in the governance of natural resources. In the countries where they exist (SOCs appear in 45 countries, NRFs in 23 and subnational transfers in 30) these specialized bodies and mechanisms play essential functions in the generation, management and allocation of revenues, influencing the

Eight of the 23 natural resource funds reviewed publish no information whatsoever on their assets, transactions or investments.

value a country derives from its resource wealth. The Index pays close attention to the governance of these organizations.

State-owned Companies: SOCs bring in more than two-thirds of total government revenue in such countries as Azerbaijan, Iraq and Yemen. In the mining sector, Chile's Codelco is the world's largest producer of copper, while Botswana's partially state-owned Debswana is a leading producer of diamonds. In countries like Angola and Nigeria, SOC functions and influence stretch across the sector—from licensing and production to revenue collection and even direct expenditures. Given their unique institutional status and typically high levels of authority, SOCs can operate with limited oversight and accountability.

The variation in SOC scores (see Figure 6) shows that transparency is commercially feasible but has yet to be fully embraced by many companies. Top performers share several practices that enhance SOC accountability: legal requirements to publish reports; disclosure of audits and data on production and revenues; transparency in the risk-laden area of extra-budgetary spending; compliance with international accounting standards; and the inclusion of SOC financial information in the national budget. Many others fall short—18 of 45 SOCs are under no legal obligation to report information about their operations, 28 fail to provide comprehensive reports on their activities and finances, and 19 fail to disclose information on their quasi-fiscal activities, such as spending on social services or fuel subsidies.

Natural Resource Funds: The estimated collective assets of the 23 NRFs covered by the Index totaled more than $2 trillion in 2012. These funds serve as decisive tools in country efforts to manage revenue volatility, balance near-term expenditures with long-term savings, and utilize resource revenues to generate sustainable economic gains. However, governance risks are high because NRF financial flows can bypass the regular budget process and become vehicles for patronage and discretionary allocations.

NRF performance varies. The top five performing funds (see Figure 6), from a highly diverse group of countries, provide timely, comprehensive reports on their assets and transactions, follow legally mandated deposit and expenditure rules, perform audits, and are subject to legislative oversight. However, limited information disclosure characterizes the majority of funds. In Kuwait, for example, it is against the law to disclose information about the Investment Authority. Eight of the 23 funds reviewed publish no information whatsoever on their assets (which external sources estimate to total more than $400 billion), transactions or investments. In 15 countries, including Azerbaijan and Russia, spending from the funds bypasses legislative approval.

Subnational Transfers: Thirty countries transfer a portion of resource revenues to regional or local governments. These transfers are often large, subject to competing claims and managed by subnational governments that may lack accountability and the capacity for good governance.

Led by a cohort of Latin American countries, 10 countries publish a detailed breakdown of transfers and follow rules established in legislation (see Figure 6). Peru's regularly updated online reporting system of transfers to local governments is an example of good practice. However, 20 countries exhibit poor reporting practices; in many cases, transfer amounts are discretionary. Liberia, the Philippines and Mongolia publish no transfer data, while reports in the other countries are unclear, incomplete or outdated. In the DRC, rules on transfers in the Constitution and the Mining Code contradict each other, blurring roles and responsibilities.

Figure 6

Governance of State-owned Companies

Rank (out of 45)	Country	State-owned Company	SOC Score (out of 100)
1	Norway	Statoil	99
2	Mexico	Pemex	98
3	Brazil	Petrobras	92
4	India	ONGC	92
5	Russia	Rosneft	92
6	Colombia	Ecopetrol	88
7	Venezuela	PDVSA	87
8	Kazakhstan	KazMunaiGaz	87
9	Indonesia	Pertamina	86
10	Chile	CODELCO	84
11	China	CNPC	82
12	Morocco	OCP	75
13	Angola	Sonangol	70
14	Papua New Guinea	Petromin	69
15	Zambia	ZCCM-IH	68
16	Azerbaijan	SOCAR	67
17	Trinidad and Tobago	Petrotrin	66
18	Kuwait	KPC	63
19	Ecuador	Petroecuador	62
20	Malaysia	Petronas	61
21	Bolivia	YPFB	53
22	Algeria	Sonatrach	49
23	Nigeria	NNPC	47

Rank (out of 45)	Country	State-owned Company	SOC Score (out of 100)
24	Yemen	YOGC	44
25	Philippines	PMDC	44
26	Saudi Arabia	ARAMCO	41
27	Iraq	Ministry of Oil	41
28	Vietnam	Petrovietnam	40
29	Cameroon	SNH	38
30	Qatar	Qatar Petroleum	37
31	Tanzania	STAMICO	33
32	Botswana	Debswana	32
33	South Sudan	Nile Petroleum	31
34	Egypt	EGPC	31
35	Congo (DRC)	Gecamines	29
36	Mozambique	ENH	28
37	Zimbabwe	ZMDC	22
38	Mongolia	Erdenes MGL	20
39	Libya	Libyan National Oil Corporation	19
40	Iran	NIOC	15
41	Bahrain	BAPCO	14
42	Equatorial Guinea	GEPetrol	10
43	Afghanistan	Northern Coal Enterprise	3
44	Myanmar	MOGE	2
45	Turkmenistan	Turkmengas	0

Governance of Natural Resource Funds

Rank (out of 23)	Country	Fund	Fund Score (out of 100)
1	Norway	Government Pension fund	100
2	Trinidad and Tobago	Heritage and Stabilisation Fund	98
3	Bahrain	Future Generations Reserve Fund	96
4	Chile	Copper Stabilization Fund	88
5	Timor-Leste	Petroleum Fund	83
6	Mexico	Oil Income Stabilization Fund	79
7	Canada (Alberta)	Alberta Heritage Savings Trust Fund	73
8	Kazakhstan	National Fund	67
9	Venezuela	National Development Fund (FONDEN)	58
10	Botswana	Pula Fund	52
11	Iran	Oil Stabilization Fund	50
12	Malaysia	National Trust Fund	46
13	Russia	Reserve Fund National Welfare Fund	46
14	Azerbaijan	SOFAZ	44
15	Gabon	Fond pour les Générations Futures	35
16	Angola	Fundo de Reserva do Tesouro Nacional	25
17	Saudi Arabia	Public Investment Fund	19
18	Nigeria	Sovereign Wealth Fund Excess Crude Oil Account	17
19	Kuwait	Kuwait Investment Authority	15
20	Algeria	Fonds de Régulation des Recettes	6
21	Qatar	Qatar Investment Authority	2
22	Equatorial Guinea	Fund for Future Generations	0
23	Libya	Libyan Investment Authority	0

Governance of Subnational Transfers

Rank (out of 30)	Country	Subnational Transfers Score (out of 100)
1	Brazil	100
2	Peru	97
3	Bolivia	94
4	United States (Gulf of Mexico)	94
5	Ecuador	92
6	Australia (Western Australia)	86
7	Nigeria	83
8	Mexico	81
9	Iraq	79
10	Colombia	78
11	Ghana	69
12	Venezuela	69
13	Indonesia	64
14	Algeria	64
15	Russia	64
16	Liberia	61
17	Kazakhstan	58
18	Mongolia	56
19	Botswana	50
20	South Sudan	50
21	Congo (DRC)	44
22	Philippines	44
23	Sierra Leone	40
24	Angola	33
25	China	33
26	Malaysia	22
27	Iran	17
28	Papua New Guinea	17
29	Yemen	11
30	Equatorial Guinea	0

A Tool for Research, Dialogue and Reform

The RGI aims to enhance understanding of how a large, diverse set of countries governs oil, gas and minerals. With high resource prices and new countries debuting as major producers, effective and accountable resource governance is critical. The Index provides detailed, country-specific, comparative information that can serve as a guide for reform.

The data can aid applied research and policy analysis of the governance deficit in natural resources, including investigations into why countries exhibit the achievements and shortcomings they do. This research could provide improved evidence for future policy interventions at the global and country level.

The country data can also serve as a basis for an evidence-based national dialogue on how to improve sector governance. The detailed and disaggregated data available in the online RGI country profiles help policymakers and advocates answer the questions: Where are we falling short? What are some best practices of top performers to employ and improve our policies and practices? Which other countries can we learn from?

To facilitate research and investigations into the performance of specific countries, the RGI website offers 58 country profiles and interactive tools for accessing and analyzing the full database. The country profiles include the completed RGI questionnaires with links to primary sources, as well as component and indicator scores and relevant economic statistics. Examples of these country profiles available on the RGI website are provided at the end of this report. For more information, visit www.revenuewatch.org/rgi.

Recommendations

Along with revealing country-specific reform priorities, analysis of the RGI findings points to a number of overarching recommendations. The data reveals where many countries fall short, as well as instances where top performances can serve as guides for which practices to adopt more broadly. The following five reforms represent concrete policy responses to the urgent and widespread deficit in oil, gas and mining governance:

1. **Disclose contracts signed with extractive companies.**

   Only 10 countries out of the 58 surveyed in the Index publish all or most of the contracts that govern exploration and production. Publishing contracts helps citizens evaluate which benefits and protections their country receives in exchange for access to publicly owned natural resources, and monitor whether companies and government live up to their obligations. Countries should adopt clear rules for the publication of all licenses and contracts and assign responsibility for maintaining the data repository to specific government agencies.

2. **Ensure that regulatory agencies publish timely, comprehensive reports on their oil, gas and mining operations, including detailed revenue and project information.**

   Only 13 Index countries disclose timely, comprehensive information on natural resource operations and revenues. As part of their core functions and to encourage an open, stable investment environment, industry regulators should take responsibility for publishing such information as the process for allocating licenses, revenues received from each project, and environmental and social impact assessments.

3. **Extend transparency and accountability standards to state-owned companies and natural resource funds.**

   Only 12 of the 45 state-owned companies and seven of the 23 natural resource funds have satisfactory standards of governance and transparency. These specialized bodies play a decisive role in the generation, management and allocation of resource revenues, yet often operate without accountability. Establishing robust reporting, oversight and audit processes is an urgent priority for country and global action.

4. **Make a concerted effort to control corruption, strengthen the rule of law and guarantee respect for civil and political rights, including a free press.**

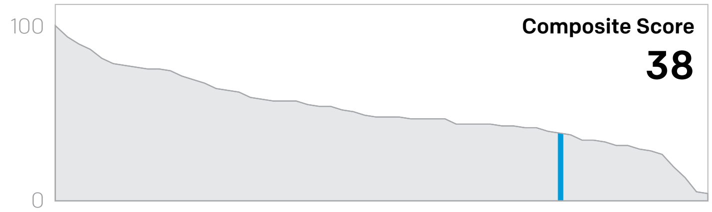
   Over two-thirds of the 58 countries studied receive low scores (below the median worldwide) on national measures of corruption, rule of law and press freedom. Without an enabling environment, resource transparency will not generate lasting accountability gains on its own. In particular, citizens, journalists and civil society leaders should be free to express their views, civil society oversight should be encouraged, effective corruption control systems should be in place, and the rule of law should be upheld. Transparency in resources governance ought not to be narrowly confined or on paper alone.

5. **Accelerate the adoption of international reporting standards for governments and companies.**

   Companies that extract natural resources and the countries where these companies are based share the responsibility to advance transparency. Home countries should pass legislation requiring their companies to report payments to governments on a project-by-project basis. Extractive hubs like Australia, Canada, China, South Africa and Switzerland should follow the lead of the United States and the European Union in pursuing this goal. Governments, international organizations, donor agencies and companies also should promote strong global reporting standards on contracts and licensing processes in word and in practice.

Algeria

One of 58 country profiles available at www.revenuewatch.org/rgi.



Background

Algeria produced 2 million barrels of oil per day in 2011 and is the sixth-largest natural gas exporter in the world. Hydrocarbons have long been the backbone of Algeria's economy, accounting for 67 percent of state revenues, 25 percent of gross domestic product and 98 percent of total exports in 2011.

Algeria	2000	2005	2011
Population (million)	30.5	32.9	36.0
GDP (constant 2011 international $ billion)	69.9	115.9	188.7
GDP per capita, PPP (constant 2005 international $)	6,081	7,169	7,643
Oil and gas revenue (% total government revenue)	...	76%	67%
Extractive exports (% total exports)	97%	99%	98%

Sources: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank.

Algeria's performance on the RGI

Algeria received a "failing" score of 38, ranking 45th out of 58 countries. Very low scores on Safeguards and Quality Controls, and Enabling Environment—and a "weak" score on Reporting Practices, led to this outcome.

Institutional and Legal Setting

(Rank: 37th/58 Score: 57/100)

Algeria's received a "partial" score of 57, its strongest performance on any component.

Substantial resource revenues bypass the national treasury and are not reported to the legislature. The Ministry of Energy and Mines (MEM) grants licenses following direct negotiations, not competitive processes. Environmental impact assessments are required and information on the extractive sector legal framework is available online, but Algeria has no freedom of information law nor does it participate in the Extractive Industries Transparency Initiative.

Reporting Practices

(Rank: 38th/58 Score: 41/100)

Algeria's "weak" score of 41 stems from minimal disclosures about licensing, contracts, environmental assessments and resource revenues.

The Finance Ministry publishes limited information on oil prices and value of resource exports. The MEM published data from 2005 on hydrocarbon reserves, production volumes, exports, companies operating in the country and production data by company/block. It does not publish any information on disaggregated revenue streams.

Safeguards and Quality Controls

(Rank: 51st/58 Score: 28/100)

Algeria's "failing" performance is a result of the high levels of sway enjoyed by Sonatrach, its state-owned company, over the award of licenses and the absence of a process for appealing licensing decisions. A national audit agency reviews oil revenues and reports to the legislature; however, these reports are available only upon request. MEM reports are internally audited only. Government officials with oversight roles are not required to disclose their financial interests in extractive activities.

Enabling Environment

(Rank: 39th/58 Score: 26/100)

Algeria releases negligible information about the national budget process and faces challenges with the quality of the rule of law. Levels of democratic accountability are particularly low.

State-owned Companies

(Rank: 22nd/45 Score: 49/100)

Sonatrach is owned by the government and holds a majority share in ventures with all other energy companies. Its transparency and governance systems leave room for improvement. Its annual reports are available but feature gaps, such as weak reporting on quasi-fiscal activities. Sonatrach's audited financial statements do not use international accounting standards and are available only on request.

Natural Resource Funds

(Rank: 20th/23 Score: 6/100)

Established in 2000 and administered by the finance ministry and the central bank, the Revenue Regulation Fund performs poorly on the RGI. Detailed reports on the fund's assets, investments and transactions are not published; procedures for making withdrawals are unclear; and spending decisions are not rule-based.

Subnational Transfers

(Rank: 14th/30 Score: 64/100)

The central government transfers resource revenue to local authorities, but only after merging them with other revenues in a Common Fund for Local Authorities. Information on distributions from the common fund is published in local government budgets, available by request from local governments or the Interior Ministry. However, the rules that determine the allocations are not available.

Algeria's Composite, Components and Indicators Scores

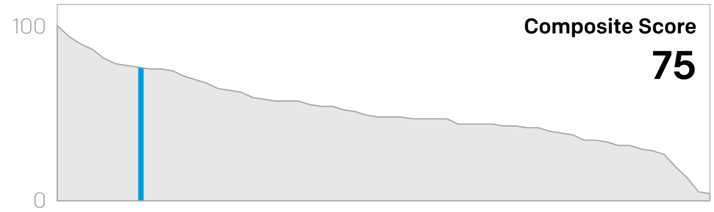
Rank (out of 58)		Score (out of 100)
45	**COMPOSITE SCORE**	**38**
37	**Institutional and Legal Setting**	**57**
	Freedom of information law	0
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	83
	Environmental and social impact assessments required	100
	Clarity in revenue collection	50
	Comprehensive public sector balance	33
	SOC financial reports required	100
	Fund rules defined in law	0
	Subnational transfer rules defined in law	100
38	**Reporting Practices**	**41**
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	33
	Exploration data	50
	Production volumes	67
	Production value	67
	Primary sources of revenue	0
	Secondary sources of revenue	0
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	33
	SOC production data	71
	SOC revenue data	44
	SOC quasi fiscal activities	17
	SOC board of directors	100
	Fund rules	0

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	0
	Subnational transfer rules	0
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	100
51	**Safeguards and Quality Controls**	**28**
	Checks on licensing process	11
	Checks on budgetary process	67
	Quality of government reports	50
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	50
	SOC reports audited	78
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	0
	Fund reports audited	50
	Government follows fund rules	0
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	50
	Government follows subnational transfer rules	67
39	**Enabling Environment**	**26**
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	39
	Open Budget (IBP Index)	6
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	22
	Government effectiveness (WGI)	34
	Rule of law (WGI)	27

Satisfactory Weak
Partial Failing

Chile

One of 58 country profiles available at
www.revenuewatch.org/rgi.



Background

Chile is the largest copper producer in the world, with 5.5 million tons produced in 2010. Mineral exports accounted for nearly two thirds of total exports and forty percent of gross domestic product in 2011.

Chile	2000	2005	2011
Population (million)	15.4	16.3	17.3
GDP (constant 2011 international $ billion)	101.3	140.9	248.6
GDP per capita, PPP (constant 2005 international $)	11,015	12,802	15,251
Extractive exports (% total exports)	46%	60%	65%

Source: World Bank

Chile's performance on the RGI

Chile ranks 8th out of 58 countries and received a score of 75 indicating a "satisfactory" level of governance. Very strong performance on the Enabling Environment, complemented by satisfactory scores on the Institutional and Legal Setting and Reporting Practices, offset the relatively weaker assessment of Chile's Safeguards and Quality Controls.

Institutional and Legal Setting

(Rank: 14th/58 Score: 77/100)

Chile's laws and systems generally encourage integrity and openness, resulting in a "satisfactory" score of 77. The licensing process is clearly defined in the Mining Code and concessions are granted by court resolution on a first-come, first-served basis. The Mining Ministry regulates the sector, while the Finance Ministry collects payments from companies and deposits all revenues in the national treasury.

Environmental impact assessments are required. In 2008 Chile adopted a Transparency and Access to Public Information Law for all public agencies. However, the law does not cover mining companies.

Reporting Practices

(Rank: 10th/58 Score: 74/100)

Chile earns a "satisfactory" score by providing access to comprehensive information about its extractive operations and revenue. The Finance Ministry regularly publishes information on production volumes, prices, mineral export values, royalties and special taxes. The Mining Ministry publishes information on mineral reserves, production volumes, prices and mineral export values, but provides no data on revenues. The Chilean commission on copper publishes information on reserves, production volumes, prices, value of mineral exports, production costs, companies operating in the country, production data by company, production stream values, special taxes and dividends.

While licensing petitions and environmental impact assessments are published, contracts with mining companies are not.

Safeguards and Quality Controls

(Rank: 21st/58 Score: 65/100)

Chile's "partial" score of 65 can be explained by three factors. First, a legislative commission comments on mining laws but does not review contracts or oversee the licensing process. Second, Finance Ministry statements are audited by the Comptroller General, who reports to the legislature, but lawmakers do not conduct comprehensive reviews of resource revenues. Third, government officials with a role in overseeing the mining sector are not required to disclose their financial interest in extractive activities.

Enabling Environment

(Rank: 6th/58 Score: 87/100)

Chile rates very high on corruption control, budget transparency, government effectiveness, voice and democratic accountability, and the rule of law. The key complementary measures needed to achieve good resource governance are in place.

State-owned companies

(Rank: 10th/45 Score: 84/100)

Owned by the government, the national copper corporation, CODELCO, produces more copper than any other company in the world. It publishes audited financial statements and annual reports with information on reserves, production volumes, prices, value of exports, investments in exploration, production costs, operating companies names, production data by company, quasi-fiscal activities, production stream values, special taxes, dividends, bonuses, acreage fees and its board of directors.

Natural Resource Funds

(Rank: 4th/23 Score: 88/100)

In 2007 the government replaced the Copper Stabilization Fund with an Economic and Social Stabilization Fund designed to insulate the national economy from global market fluctuations by accumulating excess revenues during times of high copper prices. The Finance Ministry manages the fund and regularly publishes information on its assets, transactions and investments. The ministry also publishes rules governing deposits and withdrawals, along with audited financial statements.

Chile's Composite, Components and Indicators Scores

Rank (out of 58)		Score (out of 100)
8	**COMPOSITE SCORE**	**75**
14	**Institutional and Legal Setting**	**77**
	Freedom of information law	67
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	100
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	78
	SOC financial reports required	100
	Fund rules defined in law	100
	Subnational transfer rules defined in law	...
10	**Reporting Practices**	**74**
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	50
	Exploration data	50
	Production volumes	100
	Production value	100
	Primary sources of revenue	67
	Secondary sources of revenue	25
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	100
	SOC production data	100
	SOC revenue data	93
	SOC quasi fiscal activities	100
	SOC board of directors	100
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	100
	Subnational transfer rules	...
	Comprehensive subnational transfer reports	...
	Subnational reporting of transfers	...
21	**Safeguards and Quality Controls**	**65**
	Checks on licensing process	67
	Checks on budgetary process	56
	Quality of government reports	67
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	50
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	100
	Fund reports audited	100
	Government follows fund rules	100
	Checks on fund spending	100
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	...
	Government follows subnational transfer rules	...
6	**Enabling Environment**	**87**
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	90
	Open Budget (IBP Index)	93
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	81
	Government effectiveness (WGI)	84
	Rule of law (WGI)	88

Satisfactory Weak
Partial Failing

Endnotes

1. The RGI assesses 55 countries and three provinces in large federal countries (Alberta for Canada, the Gulf of Mexico for the United States and Western Australia for Australia).

2. Total Official Development Assistance flows to sub-Saharan Africa amounted to $42 billion in 2011 (Organization for Economic Co-operation and Development), while total Nigerian oil revenues reached $68 billion (Nigeria Extractive Industries Transparency Initiative).

3. The Index questionnaire has 191 questions, 16 of which are context questions and not included in the calculation of Index scores. Two additional questions were dropped from the calculation: one on disclosure of beneficial ownership, due to incomplete data; the other on disclosure of names of companies operating in country, due to duplication.

4. On the Index website, users can experiment with assigning different weights to the four components and computing their own composite scores. See: www.revenuewatch.org/rgi.

5. To arrive at margins of error, we calculated for each country the simple average of the standard deviation (SD) within and across components. The sample average SD was 8. Thus, the implied margin of error around a country's point estimate is about +/- 13 (90 percent confidence interval). We recognize that weighting decisions introduce additional uncertainty because the true relative importance of different indicators and components is unknown. It should be noted that there is variance in the SDs across countries. The range is 6.5–9.5, and these bounds translate into rather different confidence intervals. In fact, the top and bottom performers tend to have lower SDs than average (generally 4–7), while those in the middle have higher SDs than average (9+).

6. The IMF has adjusted the list of resource rich countries over the years. In the latest published list (2012), 37 countries in the Index are called resource-rich and four are prospective resource-rich countries (Afghanistan, Liberia, Mozambique and Sierra Leone).

7. Poverty numbers are based on the latest available World Bank estimates dating to 2008.

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