

Iraq

The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Iraq has 115 billion barrels of proven oil reserves, the fifth-largest in the world. The economy is highly dependent on oil production, which was estimated at 2.6 million barrels a day in 2011 and accounted for 97 percent of government revenues. The petroleum industry generated 70 percent of gross domestic product in 2010 and is the source of nearly all of Iraq's export income.

Iraq	2000	2005	2011
Population (million)	24.31	27.60	32.96
GDP (constant 2011 international \$ billion)	33.0	35.5	115.4
GDP per capita, PPP (constant 2005 international \$)	4,615	2,990	3,412
Oil and gas revenue (% total government revenue)	...	68%	97%
Extractive exports (% total exports)	97%	96%	99%

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. Extractive exports 2011 data from 2009.

In July 2012 the semiautonomous region of Kurdistan began exporting crude oil, despite the central government's claim to sole authority over crude exports. This has escalated the conflict between Kurdistan and Baghdad and likely will further delay the finalization of a new oil law drafted in 2007.

Iraq's Performance on the RGI

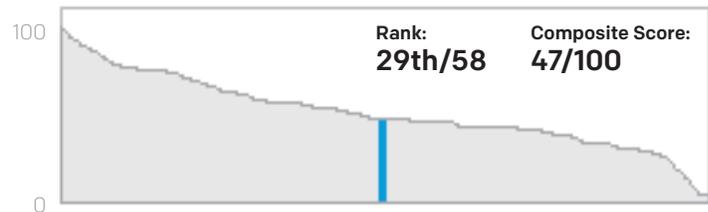
Iraq earned a "weak" score of 47, ranking 29th out of 58 countries. While it performed relatively well on the Safeguards & Quality Controls component, its Enabling Environment score was particularly low.

Institutional and Legal Setting

(Rank: 35th/58, Score: 57/100)

Iraq's "partial" score of 57 reflects clear revenue collection mechanisms but a lack of effective disclosure requirements.

The Oil Ministry regulates the sector and grants contracts following open bidding rounds. In many cases, however, contract terms are modified through direct negotiations in which the ministry has substantial discretion.



The fiscal regime varies by region. Outside Kurdistan, companies sign service contracts in which they agree to pay the central government a fee per barrel produced. The State Oil Marketing Organization sells the oil and deposits revenues in the national treasury. In Kurdistan, however, production sharing contracts are used and the resulting revenues are not necessarily remitted to the central government.

Iraq requires environmental impact assessments prior to project implementation, which are published by the Environment Ministry. There is no freedom of information act. Iraq has been an Extractive Industries Transparency Initiative (EITI) compliant country since December 2012.

Reporting Practices

(Rank: 24th/58, Score: 52/100)

Iraq received a "partial" score of 52, the result of incomplete disclosure on most revenue indicators.

The Oil Ministry publishes some contract information, including the amount of money per barrel that an operating company receives, but does not provide details on how contracts may have changed in post-bidding negotiations. Kurdistan authorities disclose little information about their licensing process; they generally publish the resulting production sharing agreements, but these do not always include signature bonuses and other key provisions.

The Oil Ministry publishes information on reserves, production volumes, prices, exports, companies operating in the country, and production stream values. The Finance Ministry publishes information on prices and monthly reports on the value of oil exports, as does the central bank. Iraq's first EITI report covers 2009 and includes company-by-company production data as well as information included in the Oil Ministry's reports.

Safeguards and Quality Controls

(Rank: 22nd/58, Score: 63/100)

Iraq earned a "partial" score of 63, highlighting uneven checks on the licensing process and inadequate audit requirements for state-owned companies.

Parliament receives copies of oil contracts and is responsible for monitoring the activities of the Oil Ministry, but does not appear to play a significant oversight role. There is a similar lack

of legislative oversight of Kurdistan's oil industry.

The national audit office and an external independent auditor review oil revenues. Audit reports go to the parliament but are not published. Government officials with a role in the oil sector must disclose potential conflicts of interest.

Enabling Environment

(Rank: 51st/58, Score: 9/100)

Iraq's "failing" score of 9 is its lowest on any component, reflecting an especially low ranking for the rule of law.

State-Owned Companies

(Rank: 24th/45, Score: 45/100)

North Oil, South Oil, Midland Oil, and Missan Oil function as

operational units of the Oil Ministry. They publish information on reserves, production volumes and values, as well as monthly data on exports and prices. Audited financial reports are not available.

Subnational Transfers

(Rank: 9th/30, Score: 79/100)

Most revenue transfers from the central government to the provinces are calculated based on population rather than regional oil production, although there is a plan to expand the "petro-dollar" program currently implemented in Kirkuk, under which oil-producing provinces would receive \$1 per barrel. The central government publishes some information on transfers in annual budget documents, as do provincial councils and the regional government of Kurdistan.

Iraq's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
29	COMPOSITE SCORE	47
35	Institutional and Legal Setting	57
	Freedom of information law	0
	Comprehensive sector legislation	..
	EITI participation	67
	Independent licensing process	83
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	100
	SOC financial reports required	0
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
24	Reporting Practices	52
	Licensing process	83
	Contracts	33
	Environmental and social impact assessments	50
	Exploration data	50
	Production volumes	67
	Production value	67
	Primary sources of revenue	50
	Secondary sources of revenue	0
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	67
	SOC production data	67
	SOC revenue data	40
	SOC quasi fiscal activities	0
	SOC board of directors	0
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	100
22	Safeguards and Quality Controls	63
	Checks on licensing process	50
	Checks on budgetary process	67
	Quality of government reports	71
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	83
	SOC reports audited	50
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	50
	Government follows subnational transfer rules	..
51	Enabling Environment	9
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	5
	Open Budget (IBP Index)	5
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	26
	Government effectiveness (WGI)	9
	Rule of law (WGI)	2

■	Satisfactory	■	Weak
■	Partial	■	Failing