The Middle East and North Africa

The Resource Governance Index measures the quality of governance in the oil, gas and mining industries in 58 countries worldwide. In the Middle East and North Africa (MENA), these industries are the primary source of income.

For the 11 MENA countries in the Index (see Figure 1), oil, gas and minerals generated 77 percent of total exports and an average of almost 80 percent of total government revenue in 2006-2011.[1] The demands for improved transparency and accountability during the Arab Spring underscore the urgency of reforms in natural resource governance.

To determine how each country performs, the Index looks at four key areas of transparency and accountability:

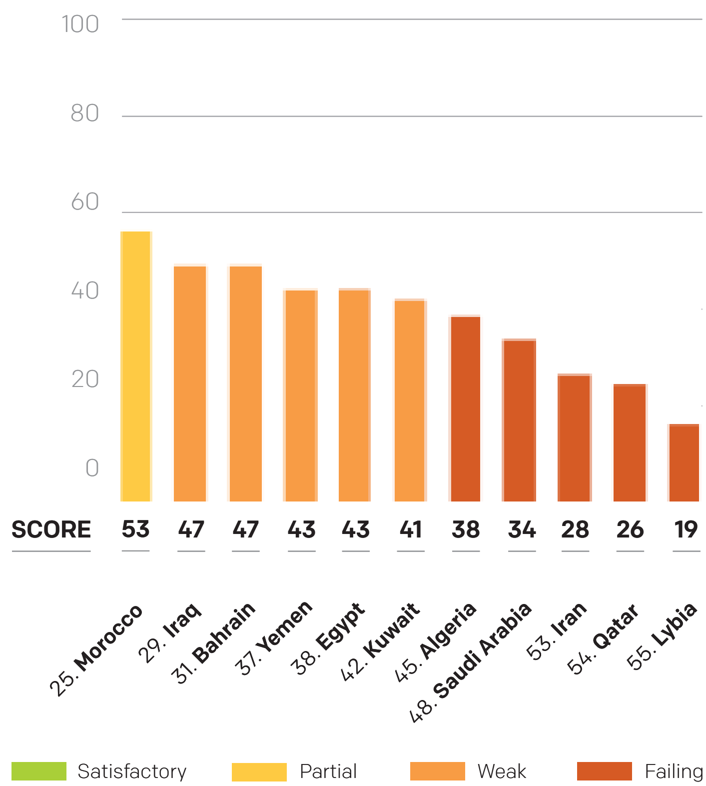
1. **Institutional and Legal Setting:** the degree to which laws, regulations and institutional arrangements facilitate transparency, accountability and open, fair competition.
2. **Reporting Practices:** government disclosure of information.
3. **Safeguards and Quality Controls:** the presence and quality of checks and oversight mechanisms that encourage integrity and guard against conflicts of interest.
4. **Enabling Environment:** the broader governance environment, based on more than 30 external measures of accountability, government effectiveness, rule of law, corruption and democracy.

MAIN FINDINGS

Not one of the 11 MENA countries demonstrates satisfactory resource governance. Morocco is the only country with a partial overall score; at 53 it scores just above the Index average of 51. Libya, Qatar and Iran fall at the bottom of the Index, exhibiting very low levels of transparency and accountability.

Algeria, Yemen and Iraq scored highest on **Institutional and Legal Setting**, due in part to Algeria's comprehensive petroleum legislation and Yemen and Iraq's participation in the Extractive Industries Transparency Initiative.[2] Only

Figure 1: Middle-East and North Africa Index scores and ranking



Note: Ranks are out of 58 countries and appear in front of country names; composite scores appear below each column.

Bahrain and Yemen have clearly established processes for collecting resource revenue.

On **Reporting Practices**, Qatar received the lowest score of 14 while Morocco earned a partial score of 60, reflecting substantial reporting by the state-owned phosphates company. Only Iraq discloses environmental impact assessments, and no country publishes extractive contracts. Most nations do not provide figures on key resource revenue streams, such as profit shares, taxes or royalties.

Most countries lack adequate government oversight. Scores on **Safeguards and Quality Controls** range from Iraq's partial score of 63 to Libya's failing score of 15. Apart from Yemen, no country has effective checks on the licens-

1 The RGI assessed the oil and gas sector for all MENA countries except Morocco where mining (phosphates) was examined.
2 Yemen was suspended from EITI in February 2013, after the Index data was collected.

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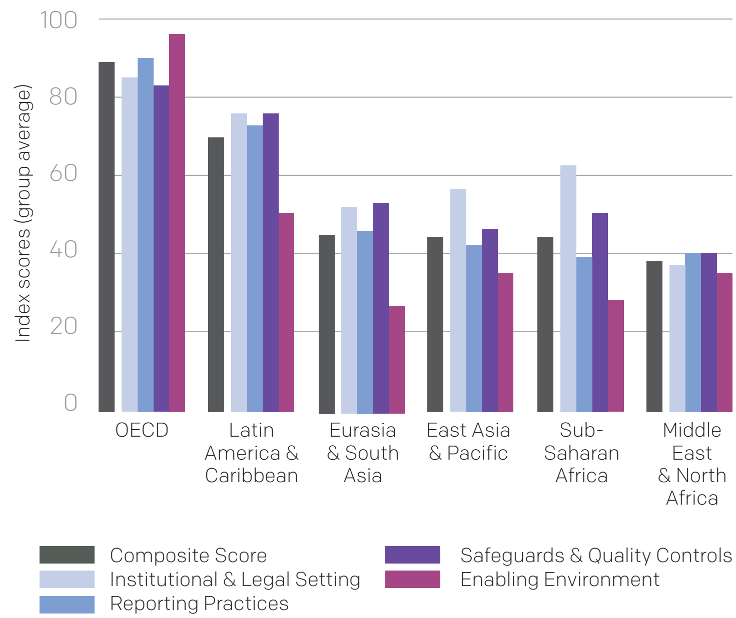
ing process. In Algeria, Iraq, Iran, Kuwait, Saudi Arabia and Qatar, government officials are not required to disclose their financial interests in extractive activities.

All nations exhibit very low levels of democratic accountability, leading to particularly weak **Enabling Environment** scores. Qatar earned the region's only satisfactory grade of 66, well above its low scores on the other components. This suggests that transparency in the oil industry is an area of weakness in Qatar's broadly effective institutional environment. Saudi Arabia stands out with the worst score for democratic accountability in the region. Iraq, Libya and Yemen face particular challenges controlling corruption and maintaining the rule of law.

REGIONAL COMPARISON

MENA was the lowest ranked region in the Index, falling below sub-Saharan Africa with a failing score of 38 out of 100 (see Figure 2). Regional scores of less than 40 on all four components reveal striking governance deficits in both policy and practice. This deficit is all the more concerning given the region's high degree of resource dependency.

Figure 2: Average country score by region and component



Note: The OECD region includes five countries; the Latin America & Caribbean nine countries; Eurasia & South Asia six countries; East Asia & Pacific 10 countries; Sub-Saharan Africa 17 countries; and the Middle East and North Africa 11 countries.

RECOMMENDATIONS

1. **Adopt freedom of information laws.** Apart from Yemen, none of the countries have freedom of information laws to help civil society and the media identify mismanagement and inefficiencies in the extractive sector.
2. **Disclose contracts with extractivecompanies.** In nations like Iraq and Libya, these agreements determine the benefits a country receives for access to its most valuable assets. Contract disclosure allows citizens to evaluate the benefits of received for publicly owned natural resources and monitor whether companies and governments fulfill contractual obligations.
3. **Join the Extractive Industries Transparency Initiative.** Only Iraq and Yemen have published EITI reports. The region's other highly resource-dependent countries, including Algeria, Libya and Saudi Arabia, would benefit from the transparency and public dialogue that comes with participation.
4. **Require resource ministries and regulatory agencies to publish timely, comprehensive reports, including data on each project.** In two thirds of the countries, the government reports minimal revenue data. As part of their core functions, oil and mining regulators should publish information on license allocations, revenues from each project, and social and environmental impact assessments.
5. **Disclose audited information on national oil company operations and revenues.** In Bahrain, Egypt, Iran and Libya, national oil companies are not audited. These companies play a central role in the generation, management and allocation of resource revenues, yet they operate without basic oversight.
6. **Improve natural resource fund reporting and governance.** Six countries have natural resource funds totaling $1.1 trillion in assets. All fail to fully report assets and transactions, and are subject to inadequate monitoring. In Kuwait, for example, it is against the law to disclose information about the Investment Authority. Transparency, audits and rule-bound operations will help guarantee these funds serve their purpose of stabilizing revenues and saving for future generations.
7. **Address shortcomings in democratic accountability.** Even if the region's governments release full information about their oil, gas and mining sectors, accountability is only possible when citizens can openly and actively express their views. Expanding the freedoms of civil society and the media should be a priority.

The complete Index, along with the full methodology and 58 country profiles, can be found at www.revenuewatch.org/rgi.

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.

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