

Eurasia and South Asia

The Resource Governance Index measures the quality of governance in the oil, gas and mining industries in 58 countries worldwide.

For the six Eurasian and South Asian countries included in the Index, oil, gas and mining accounted for more than one third of their collective gross domestic product, half of government income and over half of total exports in 2006-2010.¹ Russia is one of the world's largest producers of oil and natural gas; Azerbaijan, Kazakhstan and Turkmenistan are significant hydrocarbon producers, India has significant petroleum reserves, and Afghanistan's mineral sector is expected to grow considerably.

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

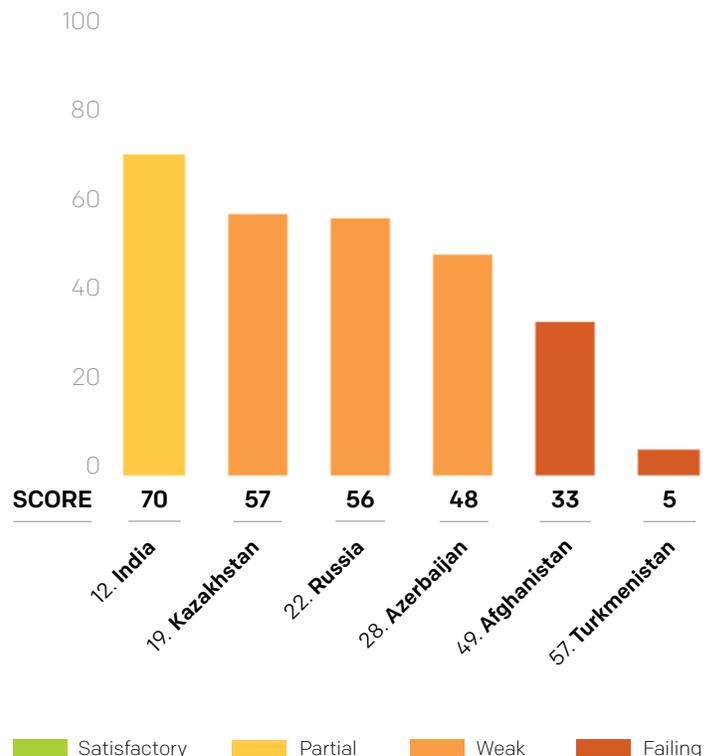
1. **Institutional and Legal Setting:** the degree to which laws, regulations and institutional arrangements facilitate transparency, accountability and open, fair competition.
2. **Reporting Practices:** government disclosure of information.
3. **Safeguards and Quality Controls:** the presence and quality 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

No country in the region received a satisfactory score. India performed best with an overall score of 70, while Turkmenistan failed in every category and ranks second to last globally with a score of 5. Only India and Kazakhstan scored satisfactorily on one or more Index component.

Despite scoring poorly overall, Afghanistan received the region's highest score of 63 on **Institutional and Legal Setting**, reflecting a growing body of law to govern its mining industry. Azerbaijan and India have freedom of information laws, although Azerbaijan has taken legal

Figure 1: Eurasia and South Asia Index scores and ranking



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

steps to limit disclosures relating to its oil and gas sector. Only Afghanistan, Azerbaijan and Kazakhstan have joined the Extractive Industries Transparency Initiative (EITI). Azerbaijan, Kazakhstan and Russia have natural resource funds, but their management is not strictly defined by legislation. In Russia, for instance, the executive had discretionary power to withdraw from its funds during the financial crisis.

India received a satisfactory score of 72 on **Reporting Practices**; Azerbaijan, Kazakhstan and Russia earned partial scores of 54, 58 and 60. Afghanistan and Turkmenistan received failing scores of 29 and 4. Afghanistan, India and Russia publish scant information on the licensing process. All but Turkmenistan publish aggregated information about production volumes and extractive revenues.

1. The RGI assesses the hydrocarbon sectors in Azerbaijan, India, Kazakhstan, Russia and Turkmenistan, and the mining sector in Afghanistan.

India received the region's highest score of 83 on **Safeguards and Quality Controls**. Afghanistan has improved transparency and limited arbitrary decisions by conducting open bidding rounds to allocate mineral licenses. The safeguard of legislative oversight is particularly weak in Azerbaijan, Russia and Turkmenistan. Russia and Kazakhstan do not disclose audits of their natural resource funds. In all countries but Turkmenistan, officials must disclose financial interests in extractive projects, although this requirement often goes unheeded in practice. In Azerbaijan, for instance, the government does not prohibit officials from investing in sectors they regulate.

India's score of 61 was the highest for **Enabling Environment**; Turkmenistan's score of 3 was the region's lowest. Azerbaijan, Kazakhstan and Russia performed particularly poorly, suggesting that broader reforms may be needed to improve resource governance. Control of corruption and the rule of law are challenges in all six countries; only India performs well on measurements of democratic accountability.

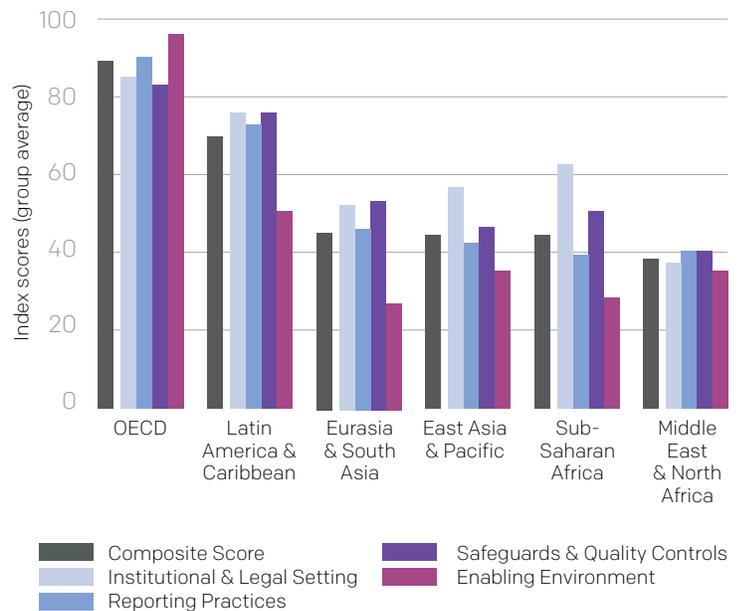
REGIONAL COMPARISON

Eurasia and South Asia's performance on the Index is weak, with the region as a whole ranking last on the Enabling Environment component. The average country score of 45 out of 100 places the group below the global Index average of 51, and well below OECD countries and Latin America (see Figure 2).

RECOMMENDATIONS

- 1. Adopt freedom of information laws.** Citizens of Afghanistan, Kazakhstan, Russia and Turkmenistan do not have legal means of demanding industry information, a precondition to effective public oversight.
- 2. Disclose contracts with companies.** Only Afghanistan and Azerbaijan have recently published oil and mining contracts. Contract disclosure allows citizens to evaluate the benefits received in exchange for publicly owned natural resources and to monitor whether companies and governments fulfill contractual obligations.
- 3. Improve transparency, including through the Extractive Industries Transparency Initiative.** Azerbaijan and Kazakhstan should go beyond EITI's minimum standards and publish disaggregated data by company and commodity, as well as information on state-owned companies. India, Russia and Turkmenistan should join the initiative.
- 4. Require government agencies and state-owned companies to disclose information.** With the exception of India, ministries and regulators across the region do not disclose disaggregated data on production volumes

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.

and values. In Russia, mineral reserve information is considered a state secret. State-owned companies in Afghanistan, Azerbaijan and Turkmenistan do not publish comprehensive reports.

- 5. Safeguard against discretionary access to natural resource funds.** Azerbaijan, Kazakhstan and Russia publish data on their funds' assets, but lack mechanisms to control the executive's authority to tap into those savings. Without legislative oversight, binding withdrawal rules and controls against conflicts of interest, these funds can provide opportunities for corruption.
- 6. Control corruption, strengthen the rule of law and foster democratic institutions.** Overall, the region received unsatisfactory scores on corruption controls and the rule of law. Afghanistan, Azerbaijan, Kazakhstan and Turkmenistan failed on measures of democracy and freedom of expression. Disclosing extractive sector information without improvements in these areas will not be enough to ensure public accountability.

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