

Saudi Arabia



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

Saudi Arabia is the world's largest petroleum producer and exporter; oil and gas made up 90 percent of government income and 88 percent of exports in 2010. Foreign companies participate in oil extraction only in the Neutral Zone bordering Kuwait and in the development of Saudi Arabia's extensive natural gas reserves. Oil production and sales are dominated

Saudi Arabia	2000	2005	2011
Population (million)	20.05	24.04	28.08
GDP (constant 2011 international \$ billion)	240.5	357.4	576.8
GDP per capita, PPP (constant 2005 international \$)	20,321	20,406	21,430
Oil and gas revenue (% total government revenue)	...	88%	90%
Extractive exports (% total exports)	88%	90%	88%

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. Oil and gas revenues 2011 data from 2010; Extractive exports 2011 data from 2010.

by Saudi Aramco, a state-owned company that produces 95 percent of Saudi oil. Because of Saudi Aramco's outside role in the economy, the RGI has focused its analysis on the company's monopoly of the upstream oil sector.

Saudi Arabia's Performance on the RGI

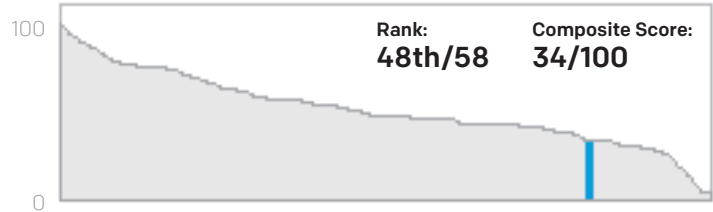
Saudi Arabia received a "failing" score of 34, ranking 48th of 58 countries. As a highly-centralized monopoly, its revenue management policies are opaque, and it scored poorly on all components of the index.

Institutional and Legal Setting

(Rank: 51st/58 Score: 30/100)

Saudi Arabia's natural resource laws are incomplete and do not allow for meaningful public scrutiny of the petroleum sector, leading to a "failing" score of 30.

Saudi Aramco has the sole concession to develop the kingdom's oil, but it may subcontract service operations to foreign companies. The bidding process for these contracts appears to be open to all qualified companies, although "Saudization" policies likely give local firms an advantage.



Saudi Aramco is overseen by the Petroleum and Mineral Resources Ministry and, to a lesser extent, the Supreme Petroleum Council, an executive body. The company pays royalties and dividends to the state and supplies domestic refineries. Revenues go to the Finance Ministry, but the amounts are not published. There is no transparency in the national budgeting process, and it is unclear how oil revenues are used.

Environmental impact assessments are required, but the results are not made public. Laws and decrees concerning the extractive industries are published and include guidelines for the licensing process in sectors other than upstream oil, but do not contain details on fiscal arrangements. Saudi Arabia has no freedom of information law.

Reporting Practices

(Rank: 43rd/58 Score: 35/100)

The government releases very little data on Saudi Aramco's participation in the petroleum sector, receiving a "failing" score of 35.

The terms of Saudi Aramco's concession are unknown, although the company does publish some information on subcontracts with service companies after winning bids have been selected.

In general, government agencies do not disclose detailed industry data, but annual reports of the Saudi Arabian Monetary Association contain current information on petroleum reserves, production volumes, and prices.

Safeguards and Quality Controls

(Rank: 49th/58 Score: 31/100)

Limited government oversight and a lack of published audits led to a "failing" score of 31.

Contracts are reviewed by the king's cabinet, the Council of Ministers, rather than by the legislature. The Supreme Petroleum Council oversees revenues. Independent sources question the regulatory power of the Petroleum and Mineral Resources Ministry and the Supreme Petroleum Council, noting that Saudi Aramco, while subject to the wishes of the royal family, has considerable autonomy in day-to-day operations.

Internal audits of petroleum revenues are conducted, but the data are available only to a small group of officials. Regulatory officials are not required to disclose their financial interests in the oil sector.

Enabling Environment

(Rank: 27th/58 Score: 38/100)

Saudi Arabia received a “failing” score of 38. It performed relatively well on measurements of the rule of law and corruption control, but was near the bottom of global rankings of democracy and budgetary openness.

State-Owned Companies

(Rank: 27th/45 Score: 41/100)

Saudi Aramco engages in a number of activities to further state objectives. It sells oil to domestic refineries at a steep discount, effectively subsidizing national energy prices, and adheres to employment quotas favoring Saudi citizens. The company’s annual reports include information on oil revenues, reserves,

production, investments, subcontracts, and social initiatives. The reports do not include information on royalties, dividends, or other payments to the state. Independent and internal auditors review Saudi Aramco’s accounts, but the results are not published.

Natural Resource Funds

(Rank: 17th/23 Score: 19/100)

Saudi Arabia’s savings funds include the Public Investment Fund, which finances economic development projects and is administered by the Finance Ministry. These funds likely are financed almost entirely by surplus oil revenues, but little information about their assets and transactions is available.

Saudi Arabia’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
48	COMPOSITE SCORE	34
51	Institutional and Legal Setting	30
	Freedom of information law	0
	Comprehensive sector legislation	67
	EITI participation	0
	Independent licensing process	67
	Environmental and social impact assessments required	50
	Clarity in revenue collection	50
	Comprehensive public sector balance	33
	SOC financial reports required	0
	Fund rules defined in law	0
	Subnational transfer rules defined in law	..
43	Reporting Practices	35
	Licensing process	..
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	50
	Production volumes	67
	Production value	67
	Primary sources of revenue	33
	Secondary sources of revenue	20
	Subsidies	33
	Operating company names	33
	Comprehensive SOC reports	17
	SOC production data	57
	SOC revenue data	0
	SOC quasi fiscal activities	100
	SOC board of directors	50
	Fund rules	0

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	33
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
49	Safeguards and Quality Controls	31
	Checks on licensing process	56
	Checks on budgetary process	22
	Quality of government reports	29
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	33
	SOC reports audited	50
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	50
	Fund reports audited	67
	Government follows fund rules	0
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
27	Enabling Environment	38
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	66
	Open Budget (IBP Index)	7
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	4
	Government effectiveness (WGI)	53
	Rule of law (WGI)	60

■	Satisfactory	■	Weak
■	Partial	■	Failing