

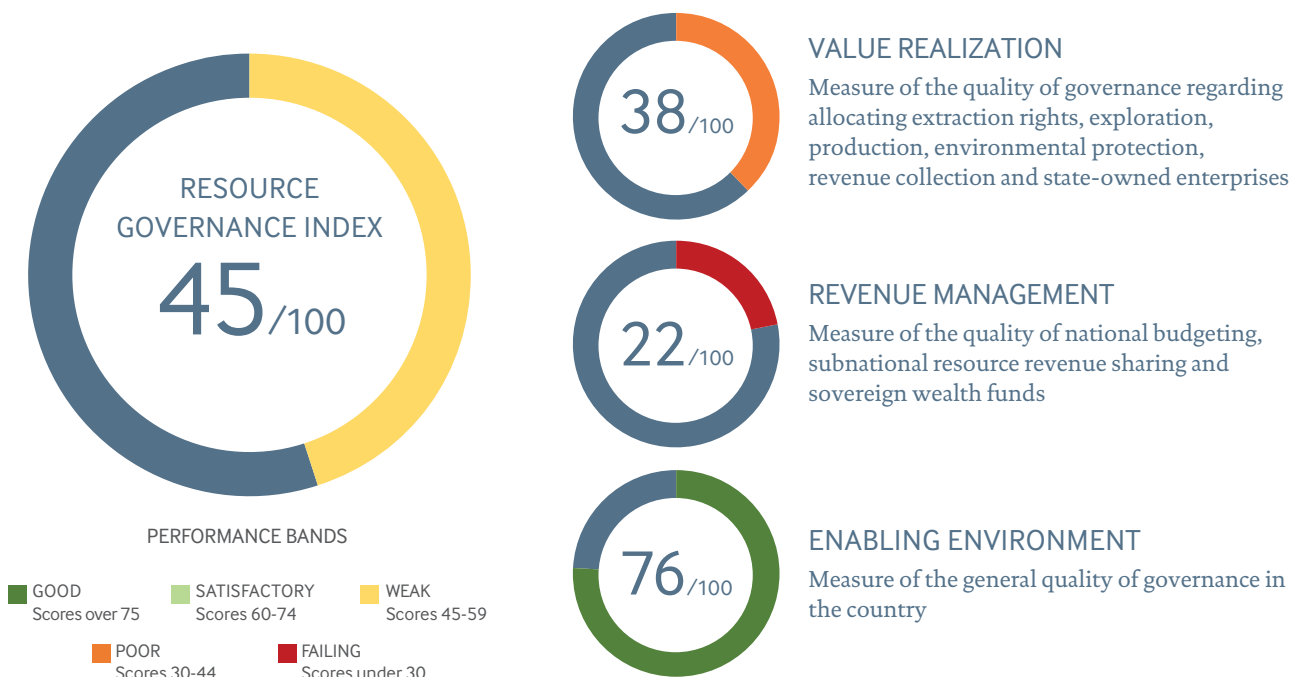
# 2021 Resource Governance Index Qatar



Qatar scored 45 out of 100 points in the 2021 Resource Governance Index (RGI), moving from the “poor” performance band to the lower end of the “weak” band. Positively, Qatar Petroleum (QP), the state-owned enterprise, achieved a 10-point increase since the 2017 RGI, moving into the “satisfactory” performance band. Nonetheless, significant areas of concern exist across the index’s value realization and revenue management components, with scores on the licensing, local impact and sovereign wealth fund subcomponents classified as “failing.”

- A lack of laws and disclosures related to licensing rounds and contracts pose significant problems to transparency and accountability in the Qatari oil and gas sector.
- Lack of laws and practices related to the disclosure of environmental impact assessments and mitigation plans resulted in Qatar’s failing score for governance of local impacts.
- The assessment reveals a lack of established fiscal rules regulating expenditures, which hinders long-term and sustainable spending strategies.
- Qatar Petroleum’s score improved since the 2017 RGI following enhanced production and joint venture and subsidiaries disclosures, but room remains for improvement in commodity sales rules and disclosures.
- The Qatar Investment Authority receives a failing score in every assessed category and remains one of the world’s most opaque sovereign wealth funds.

Qatar oil and gas: 2021 Resource Governance Index and component scores



# 2021 Resource Governance Index

## RESOURCE GOVERNANCE INDEX SUMMARY RESULTS

### Qatar has made minor improvements in resource governance, but key areas require attention

Qatar is one of the richest countries in the world on a per capita basis with the oil and gas sector contributing to roughly 90 percent of all export earnings and 79 percent of government revenues in 2019. Qatar scored 45 points in the 2021 RGI, up by two points from the 2017 RGI. Of the six assessed subcomponents relating specifically to resource governance, Qatar has received a failing or poor score in five. Qatar Petroleum's performance increased by 10 points since the 2017 RGI, and some improvements were registered in licensing, given the establishment of a cadaster and beneficial ownership disclosure requirements. But a lack of laws and disclosures in the index's local impact and sovereign wealth fund subcomponents expose the sector to challenges to effective and transparent governance.

A "good" enabling environment has been crucial to Qatar's overall governance, but a deterioration in the voice and accountability subcomponent, 39 points in the 2017 RGI to 25 in the 2021 RGI, points to a backsliding in transparency and shrinking civic space. (The voice and accountability measure assesses perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.)

### Qatar's scores in the 2017 RGI and 2021 RGI

	2017 RGI	2021 RGI	Trend
<b>RGI COMPOSITE SCORE</b>	43	45	2
<b>VALUE REALIZATION</b>	33	38	5
Licensing	15	27	12
Taxation	36	36	0
Local impact	25	26	1
State-owned enterprises	55	65	10
<b>REVENUE MANAGEMENT</b>	19	22	3
National budgeting	34	40	6
Subnational resource revenue sharing	.	.	.
Sovereign wealth funds	4	4	0
<b>ENABLING ENVIRONMENT</b>	77	76	-1
Voice and accountability	39	25	-14
Government effectiveness	90	90	0
Regulatory quality	88	92	4
Rule of law	91	92	1
Control of corruption	90	92	2
Stability and absence of violence	95	95	0
Open data	42	46	4
<b>LAW</b>	22	25	3
<b>PRACTICE</b>	35	41	6
<b>GAP (PRACTICE LESS LAW)</b>	13	16	3

## VALUE REALIZATION

### Qatar's licensing and local impact subcomponents remain "failing", despite minor improvements

Since the publication of the 2017 RGI, Qatar has started an online cadaster, which tracks the details of the various oil and gas projects, including names of license holders, types of licenses and contract durations. The government also passed Law No.1 of 2020 establishing a beneficial ownership register; this law (not yet implemented) requires all economic entities to publicly disclose information regarding financial assets and the identities of their beneficial owners. Both actions are commendable and highlight a willingness to introduce greater transparency in the oil and gas sector.

However, Qatar's licensing score remains "failing" due to a lack of laws regulating both pre- and post-licensing processes. The government has not disclosed contracts signed with extractive companies, and no law requires such disclosures. While QP has disclosed the winners of licensing rounds and the allocated areas in its 2019 annual report, there are no comprehensive rules requiring these disclosures.

Regarding taxation, no Qatari law requires the government to disclose payments from extractive projects to the national treasury or the national resource account, and none requires the auditing of extractive companies or projects. Firm rules must be put in place regarding transparency around extractive company payments to prevent leakage, corruption and mismanagement.

## REVENUE MANAGEMENT

### Lack of fiscal rules is a problem given Qatar's dependence on oil and gas

Fiscal rules are crucial to helping governments take a more long-term approach to spending. When commodity prices are high, temptation to increase spending might lead to overspend and the depletion of revenues, which can drastically impact government budgets when commodity prices are low. The Qatari government has not passed numerical fiscal rules governing annual spending of oil and gas revenues, posing a potentially worrying situation if prices were to decline again rapidly. While the government has publicly disclosed projections of resource revenues, revenues received and the national budget and expenditures, it should adopt fiscal rules to ensure that the planning of future spending is robust to future shocks.

# 2021 Resource Governance Index

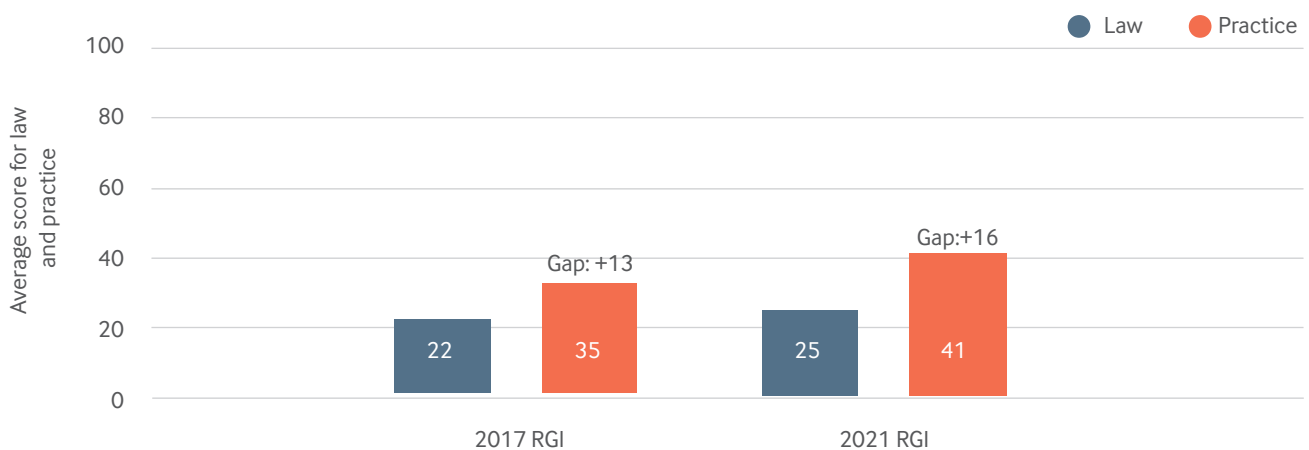
## LAW AND PRACTICE SCORES

### Few laws govern Qatar's oil and gas sector

Qatar's overall law score in the 2021 RGI classified as failing, as it did in the 2017 RGI, demonstrating the lack of an established legal framework governing the oil and gas sector. While practice scores improved from 35 to 41 in the 2021 RGI, these are still classified as poor. The lack of disclosure requirements in Qatari law has been instrumental to lagging transparency practices. This is apparent across the 2021 RGI, especially in the local impact subcomponent, where lack of legal disclosure requirements has meant that environmental impact assessments and mitigation plans have not been publicly disclosed by extractive companies.

The government of Qatar should establish laws compelling extractive companies to publicly disclose EIAs, to allow citizens a better understanding of the impacts that the extractive sector has on Qatar's seas, coastline, biodiversity and economy.

Evolution of the gap between law and practice in Qatar



## STATE-OWNED ENTERPRISE GOVERNANCE

### Qatar Petroleum improved resource governance but key gaps remain in commodity sales rules and disclosures

Governance of Qatar's state-owned enterprise, Qatar Petroleum (QP), improved by 10 points since the 2017 RGI, moving it from the weak to satisfactory performance band. QP improved in the disclosure of financial transfers to the government, with both the Ministry of Finance portal and QP's 2019 annual report disclosing in full the revenues transferred from the oil and gas sector to the government. In the same report, QP also disclosed both aggregate production and aggregate sales volumes, as well as all joint ventures to which it is party, and the interest levels held. QP has recently become a supporting company of the Extractive Industries Transparency Initiative, but the state of Qatar has not actively engaged in making the country EITI-compliant.

In the 2021 RGI, Qatar Petroleum has received "failing" scores for both commodity sales rules and disclosures, as it did in the 2017 RGI. There are no rules governing how QP should select the buyers of its oil and gas or what procedures it should follow when selling its oil and gas products. Furthermore, nothing requires either the government or QP to publicly disclose information on sales of production. In terms of disclosures, only aggregate data on sales volumes and values is published, and buyers are not publicly identified.

# 2021

## Resource Governance Index

QP and the government of Qatar should enact rules making production sales transparent to enable greater public understanding of the volumes and revenues that are obtained from the nation's oil and gas resources. Understanding how buyers are selected and at what price oil is sold to them is critical to avoiding corruption and improving accountability in the sector. In line with best practice, QP should begin disclosing such information, including details disaggregated to the level of individual sales.

### SOVEREIGN WEALTH FUND GOVERNANCE

#### QIA receives a failing score

The Qatar Investment Authority (QIA), founded in 2005, consistently ranks as one of the world's largest sovereign wealth funds, with estimated [assets under management of \\$300 billion](#). It is also one of the world's most opaque funds. The Qatari government has not passed any laws relating to deposits, withdrawals or financial reporting rules, and the QIA website provides only a vague overview of the asset classes in which it invests.

The government of Qatar should pass laws ensuring that the public and civil society can properly interrogate and assess QIA's investments and strategy. Deposit and withdrawal laws must govern the QIA, as they act as stabilization mechanisms in times of fluctuating commodity prices, preventing excessive withdrawals when prices are high. The government should also pass laws relating to what assets and asset classes QIA can invest in and should disclose information on these for public inspection. Such data are crucial to assess the efficiency and profitability of the fund's activities and to prevent both mismanagement and poor investments. More transparency is needed to ensure that oil and gas revenues are invested responsibly, and that decision-makers are accountable for investment decisions.

# RECOMMENDATIONS



1. **The Qatari government** should couple its positive steps towards transparency, such as the disclosure of winners of licensing rounds and the allocated areas, with firm rules and regulations establishing these practices in law, in order to avoid potential backsliding.
2. **The Qatari government** should establish numerical fiscal rules governing annual spending of oil and gas revenues to safeguard the economy against rapidly fluctuating prices.
3. **The Qatari government and Qatar Petroleum** should establish commodity sales rules and disclose these publicly to enhance transparency and accountability regarding oil and gas sales destinations and revenues.
4. **The Qatari government** should establish a legal framework requiring the public disclosure of environmental impact assessments and mitigation plans. This is even more pressing in light of the accelerating climate crisis and the ongoing energy transition.
5. **The Qatari government and Qatar Investment Authority** should adopt must be established governing all aspects of the sovereign wealth fund's operations and investment. Firm laws on deposits, withdrawals and investments, are key to ensure stability during commodity fluctuations and to prevent mismanagement and opacity of investments.
6. **The Qatari government** should follow **Qatar Petroleum** and join the EITI process to establish goals and account for improved governance in the oil and gas sector.
7. **The Qatari government** must allow and create space for civil society to exercise oversight of the oil and gas sector if it is to improve transparency, accountability and resource governance.

## What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGi, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.