

Russia



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

Russia is consistently the world's largest producer and exporter of natural gas, and competes with Saudi Arabia to be the world's top oil producer. The petroleum sector employs less than 3 percent of the working population, but contributed 28 percent of Russia's government revenue in 2010. As a whole, Russia's petroleum and mining industries made up 22 percent

Russia	2000	2005	2011
Population (million)	146.30	143.15	141.93
GDP (constant 2011 international \$ billion)	331.5	865.2	1,857.8
GDP per capita, PPP (constant 2005 international \$)	8,613	11,853	14,821
Oil and gas revenue (% total government revenue)	...	27%	28%
Extractive exports (% total exports)	60%	68%	64%

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 2005 data from 2007; 2011 data from 2010.

of gross domestic product (GDP) and 64 percent of exports in 2011.

Russia's Performance on the RGI

Russia received a "partial" score of 56, ranking 22nd out of 58 countries, despite a "failing" score on the Enabling Environment component.

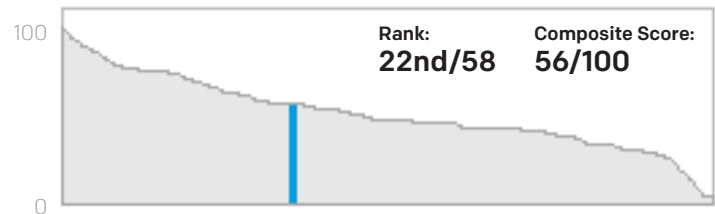
Institutional and Legal Setting

(Rank: 38th/58 Score: 57/100)

Russia's legal framework leaves room for arbitrary decision-making in the licensing process, resulting in a "partial" score of 57.

Petroleum and mineral legislation is publicly available, but laws are often ambiguous, outdated, and marred by multiple amendments. Rosnedra, an agency within the Natural Resources Ministry, grants licenses through a mixture of auctions, direct negotiations, and transfers of strategic deposits to state-owned companies.

Environmental impact assessments are required, but environmental groups suspected of acting under foreign influence are regularly excluded from the process. Assessments are easily



politicized, and there is no requirement to publish the results. Russian law requires disclosure of information, but an exception for "state secrets" is widely applied to information on the oil and gas industries.

Reporting Practices

(Rank: 20th/58 Score: 60/100)

Russia received a "partial" score of 60, reflecting a lack of contract transparency and incomplete government reporting on most aspects of the extractive sector.

The Finance Ministry publishes poorly organized annual reports on prices, export values, production stream values, revenues from production-sharing agreements, and petroleum sector taxes. The Federal Subsoil Resources Management Agency regulates the industry but produces no regular reports. The central bank publishes more detailed information on monetary policy, including petroleum production volumes, prices, and export values. The Federal Statistical Agency of the Natural Resources Ministry issues annual reports on reserves, production volumes, exports, and special taxes.

Safeguards and Quality Controls

(Rank: 24th/58 Score: 62/100)

Despite significant audit requirements, the government does not actively oversee petroleum licensing or the natural resource fund, resulting in a "partial" score of 62.

Legal provisions intended to limit the discretionary powers of licensing officials are often ignored, making the system vulnerable to corruption. Similarly, legal mechanisms to appeal licensing decisions are rarely effective.

The national auditor reviews oil and gas revenues, but lacks true independence. Audit reports are presented to the legislature, but the special committee on natural resource revenues rarely provides effective scrutiny.

Enabling Environment

(Rank: 26th/58 Score: 39/100)

Despite a relatively high global ranking on budgetary transparency, Russia performed poorly on measurements of corruption control, democratic accountability and the rule of law, receiving a "failing" score of 39.

State-Owned Companies

(Rank: 5th/45 Score: 92/100)

The government owns controlling stakes in Gazprom, the large-

est gas producer in the world, and Rosneft, Russia's largest oil producer. Both companies are managed as private corporations and comply with national reporting requirements. They publish comprehensive audited reports and regularly disclose industry information and revenue data. Nevertheless, opposition leaders have raised concerns about corruption and opacity. In a recent case, Rosneft was challenged in court when it refused to disclose its management protocols and information about secretive contract negotiations with China.

Natural Resource Funds

(Rank: 13th/23 Score: 46/100)

In 2008 the Stabilization Fund was divided into the Russian Reserve Fund and the National Wealth Fund. The funds are designed to conserve resource wealth by receiving petroleum revenues exceeding 3.7 percent of GDP. There are rules for de-

posits and expenditures. In 2010 Russia suspended most reporting on the funds' finances, citing emergency powers to use the funds to cover national expenses during the global economic crisis. Only basic information on monthly financial balances is currently available. Reviews by the state auditing agency have also been suspended.

Subnational Transfers

(Rank: 15th/30 Score: 64/100)

Local governments in petroleum-producing regions receive a portion of resource revenues by collecting taxes directly from extractive companies. The central government also sends about half of federal oil and gas revenues to regional governments. The central government publishes only aggregated data on the payments; regional governments do not report the amounts they receive.

Russia's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
22	COMPOSITE SCORE	56
38	Institutional and Legal Setting	57
	Freedom of information law	33
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	17
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	67
	SOC financial reports required	100
	Fund rules defined in law	0
	Subnational transfer rules defined in law	100
20	Reporting Practices	60
	Licensing process	50
	Contracts	0
	Environmental and social impact assessments	33
	Exploration data	50
	Production volumes	50
	Production value	67
	Primary sources of revenue	75
	Secondary sources of revenue	33
	Subsidies	100
	Operating company names	0
	Comprehensive SOC reports	100
	SOC production data	90
	SOC revenue data	76
	SOC quasi fiscal activities	50
	SOC board of directors	100
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	67
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	0
24	Safeguards and Quality Controls	62
	Checks on licensing process	22
	Checks on budgetary process	56
	Quality of government reports	30
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	100
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	33
	Fund reports audited	33
	Government follows fund rules	33
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	100
	Quality of subnational transfer reports	50
	Government follows subnational transfer rules	67
26	Enabling Environment	39
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	18
	Open Budget (IBP Index)	79
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	29
	Government effectiveness (WGI)	42
	Rule of law (WGI)	26

■	Satisfactory	■	Weak
■	Partial	■	Failing