

Algeria

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

Algeria produced 2 million barrels of oil per day in 2011 and is the sixth-largest natural gas exporter in the world. Hydrocarbons have long been the backbone of Algeria's economy, accounting for 67 percent of state revenues, 25 percent of gross domestic product and 98 percent of total exports in 2011.

Algeria	2000	2005	2011
Population (million)	30.5	32.9	36.0
GDP (constant 2011 international \$ billion)	69.9	115.9	188.7
GDP per capita, PPP (constant 2005 international \$)	6,081	7,169	7,643
Oil and gas revenue (% total government revenue)	...	76%	67%
Extractive exports (% total exports)	97%	99%	98%

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.

Algeria's performance on the RGI

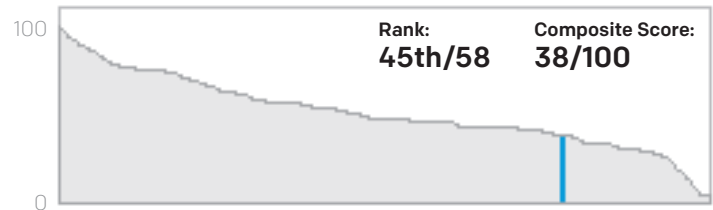
Algeria received a "failing" score of 38, ranking 45th out of 58 countries. Very low scores on Safeguards and Quality Controls, and Enabling Environment—and a "weak" score on Reporting Practices, led to this outcome.

Institutional and Legal Setting

(Rank: 37th/58 Score: 57/100)

Algeria's received a "partial" score of 57, its strongest performance on any component.

Substantial resource revenues bypass the national treasury and are not reported to the legislature. The Ministry of Energy and Mines (MEM) grants licenses following direct negotiations, not competitive processes. Environmental impact assessments are required and information on the extractive sector legal framework is available online, but Algeria has no freedom of information law nor does it participate in the Extractive Industries Transparency Initiative.



Reporting Practices

(Rank: 38th/58 Score: 41/100)

Algeria's "weak" score of 41 stems from minimal disclosures about licensing, contracts, environmental assessments and resource revenues.

The Finance Ministry publishes limited information on oil prices and value of resource exports. The MEM published data from 2005 on hydrocarbon reserves, production volumes, exports, companies operating in the country and production data by company/block. It does not publish any information on disaggregated revenue streams.

Safeguards and Quality Controls

(Rank: 51st/58 Score: 28/100)

Algeria's "failing" performance is a result of the high levels of sway enjoyed by Sonatrach, its state-owned company, over the award of licenses and the absence of a process for appealing licensing decisions. A national audit agency reviews oil revenues and reports to the legislature; however, these reports are available only upon request. MEM reports are internally audited only. Government officials with oversight roles are not required to disclose their financial interests in extractive activities.

Enabling Environment

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

Algeria releases negligible information about the national budget process and faces challenges with the quality of the rule of law. Levels of democratic accountability are particularly low.

State-owned Companies

(Rank: 22nd/45 Score: 49/100)

Sonatrach is owned by the government and holds a majority share in ventures with all other energy companies. Its transparency and governance systems leave room for improvement. Its annual reports are available but feature gaps, such as weak reporting on quasi-fiscal activities. Sonatrach's audited financial statements do not use international accounting standards and are available only on request.

Natural Resource Funds

(Rank: 20th/23 Score: 6/100)

Established in 2000 and administered by the finance ministry and the central bank, the Revenue Regulation Fund performs poorly on the RGI. Detailed reports on the fund's assets, investments and transactions are not published; procedures for making withdrawals are unclear; and spending decisions are not rule-based.

Subnational Transfers

(Rank: 14th/30 Score: 64/100)

The central government transfers resource revenue to local authorities, but only after merging them with other revenues in a Common Fund for Local Authorities. Information on distributions from the common fund is published in local government budgets, available by request from local governments or the Interior Ministry. However, the rules that determine the allocations are not available.

Algeria's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
45	COMPOSITE SCORE	38
37	Institutional and Legal Setting	57
	Freedom of information law	0
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	83
	Environmental and social impact assessments required	100
	Clarity in revenue collection	50
	Comprehensive public sector balance	33
	SOC financial reports required	100
	Fund rules defined in law	0
	Subnational transfer rules defined in law	100
38	Reporting Practices	41
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	33
	Exploration data	50
	Production volumes	67
	Production value	67
	Primary sources of revenue	0
	Secondary sources of revenue	0
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	33
	SOC production data	71
	SOC revenue data	44
	SOC quasi fiscal activities	17
	SOC board of directors	100
	Fund rules	0

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	0
	Subnational transfer rules	0
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	100
51	Safeguards and Quality Controls	28
	Checks on licensing process	11
	Checks on budgetary process	67
	Quality of government reports	50
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	50
	SOC reports audited	78
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	0
	Fund reports audited	50
	Government follows fund rules	0
	Checks on fund spending	0
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	50
	Government follows subnational transfer rules	67
39	Enabling Environment	26
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	39
	Open Budget (IBP Index)	6
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	22
	Government effectiveness (WGI)	34
	Rule of law (WGI)	27

■ Satisfactory	■ Weak
■ Partial	■ Failing