

# Bahrain

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](http://www.revenuewatch.org/rgi).

## Background

Petroleum and mining make up a fifth of Bahrain's gross domestic product. The state is increasingly dependent on the petroleum industry; extractive revenues accounted for 91 percent of government revenue in 2011, up from 76 percent in 2005. Extractive exports represented 76 percent of total exports in 2011. Unlike other Gulf states, Bahrain exports refined petroleum products rather than crude oil. The national oil company refines Bahraini and Saudi crude, much of it for export to India and other Asian markets.

Bahrain	2000	2005	2011
Population (million)	0.64	0.72	1.32
GDP (constant 2011 international \$ billion)	10.2	15.2	23.5
GDP per capita, PPP (constant 2005 international \$)	23,726	28,068	21,345
Oil and gas revenue (% total government revenue)	...	76%	91%
Extractive exports (% total exports)	16%	93%	76%

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. GDP 2011 value from 2010.

## Bahrain's performance on the RGI

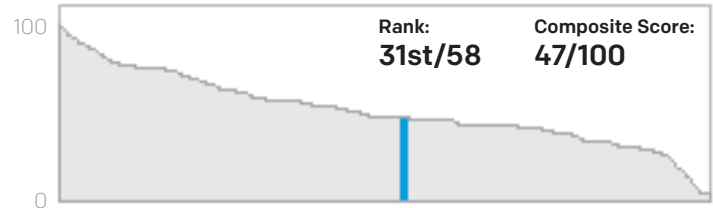
Bahrain received a "weak" score of 47, ranking 31st out of 58 countries. A "failing" performance on the Institutional and Legal Setting and Reporting Practice components contrasted with "partial" success on Safeguards and Quality Controls and the Enabling Environment.

### Institutional and Legal Setting

(Rank: 50th/58 Score: 38/100)

Bahrain's "failing" score of 38 was largely due to its lack of disclosure policies and the absence of an independent licensing process.

The National Oil and Gas Authority (NOGA) has licensing and regulatory responsibilities, with revenues accruing through production sharing contracts with foreign firms or directly from state-owned companies. Ultimately, the Finance Ministry receives all cash payments and deposits them in the treasury. Environmental impact assessments are required but not made



public, and there is no freedom of information law.

### Reporting Practices

(Rank: 39th/58 Score: 40/100)

While the government provides some information on extractive industry production and transfers to the Future Generations Reserve Fund, overall, Bahrain's disclosure policies are fragmented and incomplete, resulting in a "failing" score of 40.

There is little information about the licensing process, which often includes direct negotiations between companies and the government. However, in recent years contracts requiring legislative approval have been included in government publications.

Neither NOGA nor the state-owned Bahrain Petroleum Company (BAPCO) publishes financial statements, so it is difficult to trace government revenue flows from the extractive industries. The Finance Ministry publishes annual data on resource exports, production costs, taxes, and dividends, but does not include the financial balances of state-owned companies in its review of state accounts. The national budget does include annual oil revenue contributions to the Future Generations Reserve Fund and makes clear distinctions between resource and non-resource revenues.

### Safeguards and Quality Controls

(Rank: 26th/58 Score: 59/100)

Bahrain's "partial" score of 59 is the product of contrasting oversight policies: the budget and the Future Generations Reserve Fund are subject to significant monitoring requirements, yet there is no effective regulation of state-owned companies.

NOGA's investment arm maintains full ownership of BAPCO, giving NOGA a major financial stake in the industry and little incentive to reform a licensing process that is uncompetitive and opaque. The legislature reviews production sharing contracts, but there are neither regulations limiting NOGA's discretion in the licensing process nor mechanisms for appealing licensing decisions.

However, Bahrain has taken steps to ensure the integrity of oil and gas funds. Regulatory officials and employees of state-owned companies cannot have a financial stake in the petroleum industry. A national audit office reviews resource revenues and submits annual reports to the legislature.

## Enabling Environment

(Rank: 15th/58 Score: 58/100)

Bahrain received a “partial” score of 58, reflecting relatively high rankings on corruption control and government effectiveness and low scores on government accountability and democracy.

## State-Owned Companies

(Rank: 41st/45 Score: 14/100)

A number of state-owned companies operate in the extractive sector. BAPCO, the largest, is active in all aspects of the petroleum industry. It sells oil domestically at undisclosed prices and supplies all of the nation’s natural gas, probably subsidizing national energy consumption. BAPCO publishes little information on revenue generation, joint ventures, or quasi-fis-

cal activities. It does not appear to be subject to independent audits, and no law requires that it disclose its accounts.

## Natural Resource Funds

(Rank: 3rd/23 Score: 96/100)

Bahrain deposits a portion of its oil revenues in the Future Generations Reserve Fund managed by the Finance Ministry. Rules for deposits into the fund are defined by law, and withdrawals are prohibited unless sanctioned by the legislature. It appears these rules are followed. Lawmakers review annual reports of the fund’s investments, and these reports are published online. A national audit authority audits the fund and publishes its findings.

## Bahrain’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
<b>31</b>	<b>COMPOSITE SCORE</b>	<b>47</b>
<b>50</b>	<b>Institutional and Legal Setting</b>	<b>38</b>
	Freedom of information law	0
	Comprehensive sector legislation	33
	EITI participation	0
	Independent licensing process	0
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	56
	SOC financial reports required	0
	Fund rules defined in law	100
	Subnational transfer rules defined in law	..
<b>39</b>	<b>Reporting Practices</b>	<b>40</b>
	Licensing process	33
	Contracts	33
	Environmental and social impact assessments	0
	Exploration data	0
	Production volumes	100
	Production value	67
	Primary sources of revenue	33
	Secondary sources of revenue	33
	Subsidies	0
	Operating company names	67
	Comprehensive SOC reports	17
	SOC production data	43
	SOC revenue data	0
	SOC quasi fiscal activities	0
	SOC board of directors	50
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	100
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
<b>26</b>	<b>Safeguards and Quality Controls</b>	<b>59</b>
	Checks on licensing process	11
	Checks on budgetary process	100
	Quality of government reports	56
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	33
	SOC reports audited	0
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	67
	Fund reports audited	100
	Government follows fund rules	100
	Checks on fund spending	100
	Fund disclosure of conflicts of interest	100
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
<b>15</b>	<b>Enabling Environment</b>	<b>58</b>
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	70
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	26
	Government effectiveness (WGI)	70
	Rule of law (WGI)	64

<span style="color: green;">■</span> Satisfactory	<span style="color: orange;">■</span> Weak
<span style="color: yellow;">■</span> Partial	<span style="color: red;">■</span> Failing