

Egypt



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

Egypt is the largest non-OPEC oil producer in Africa, with crude oil production at 711,500 barrels a day in 2011. It is also the continent's second-largest natural gas producer, supplying 2.2 trillion cubic feet in 2010. The petroleum industry accounted for 10 percent of government revenues in 2011 and 38 percent of exports. Under former President Hosni Mubarak the sector was widely linked to corruption. The political unrest in 2011 did not significantly affect foreign investment in the petroleum industry or disrupt production, and Egypt's revolution has not yet resulted in regulatory changes.

Egypt	2000	2005	2011
Population (million)	67.65	74.20	82.54
GDP (constant 2011 international \$ billion)	127.4	101.6	229.5
GDP per capita, PPP (constant 2005 international \$)	4,141	4,491	5,547
Oil and gas revenue (% total government revenue)	...	17%	10%
Extractive exports (% total exports)	46%	54%	38%

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.

Egypt's Performance on the RGI

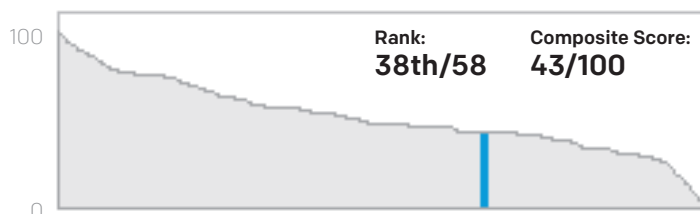
Egypt ranks 38th out of 58 countries. With similar performance on all four components of the RGI, Egypt's overall "weak" score of 43 suggests there has been only incremental progress toward greater transparency in this crucial economic sector.

Institutional and Legal Setting

(Rank: 48th/58 Score: 40/100)

Egypt's "failing" score of 40 reflects incomplete disclosure requirements despite a detailed legal framework governing the petroleum sector.

The Petroleum Ministry oversees the oil and gas sector, but state-owned companies grant extraction rights. Agreements follow a model joint venture contract approved by parliament and published as a law. Companies pay a share



of production, income taxes, and bonuses to a state-owned company, which transfers these revenues to the Finance Ministry. The process of awarding contracts is designed to be competitive and includes rounds of auctions, but it is unclear how winning bids are ultimately selected.

Environmental impact assessments are required. There is no freedom of information law, although the 2012 Constitution includes a provision referring to access to information as a right.

Reporting Practices

(Rank: 35th/58 Score: 44/100)

Government data on most aspects of the petroleum sector is incomplete, resulting in a "weak" score of 44.

While text of a model contract is publicly available, final contracts are not published in full. Egypt's official gazette, al-Garida al-Rasmiyya, is seldom available to the public, making it difficult to find decrees authorizing exploration and extraction. Environmental impact assessments are not published, limiting public scrutiny prior to extraction.

The Finance Ministry follows substantial reporting policies, but publishes little information specifically on hydrocarbon revenues, and has not reported anything since the revolution. Previous annual reports included data on foreign investment in the industry and the cost of petroleum subsidies. The Petroleum Ministry publishes data on production volumes, but almost no information on resource revenues. Its last report covered 2008–2009. Annual Central Bank reports include the value of petroleum exports and foreign investment.

Safeguards and Quality Controls

(Rank: 38th/58 Score: 48/100)

Egypt's "weak" score of 48 is due to a lack of effective government monitoring and insufficient auditing requirements.

While Parliament must approve all contracts, there is little legislative oversight of the petroleum sector and no mechanism to appeal licensing decisions. The national audit agency has the authority to review extractive revenues, but there is no evidence that it actually does, and auditors do not regularly report to lawmakers. Government officials must provide information about their financial interests.

Enabling Environment

(Rank: 25th/58 Score: 40/100)

Egypt received a “failing” score of 40, performing especially poorly on rankings of democracy and government accountability.

State-Owned companies

(Rank: 34th/45 Score: 31/100)

Three main companies, all government-owned, are involved in hydrocarbon extraction. The largest is the Egypt General

Petroleum Company (EGPS), followed by the Egypt Natural Gas Holding Company (EGAS) and the Ganoub el-Wadi Petroleum Holding Company (GANOPE). Their reporting practices vary. EGAS and GANOPE publish annual reports containing some information on revenue generation; EGPS does not. None publish a breakdown of taxes paid to the government. EGPS does publish information about bidding rounds, including relevant legislation and commercial terms for auctions. It is unclear whether the companies’ reports include data from all subsidiaries, and their accounting procedures do not appear to meet international standards.

Egypt’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
38	COMPOSITE SCORE	43
48	Institutional and Legal Setting	40
	Freedom of information law	0
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	50
	Environmental and social impact assessments required	50
	Clarity in revenue collection	67
	Comprehensive public sector balance	50
	SOC financial reports required	0
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
35	Reporting Practices	44
	Licensing process	83
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	50
	Production volumes	50
	Production value	33
	Primary sources of revenue	56
	Secondary sources of revenue	33
	Subsidies	100
	Operating company names	67
	Comprehensive SOC reports	50
	SOC production data	33
	SOC revenue data	11
	SOC quasi fiscal activities	..
	SOC board of directors	50
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
38	Safeguards and Quality Controls	48
	Checks on licensing process	56
	Checks on budgetary process	33
	Quality of government reports	61
	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	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
25	Enabling Environment	40
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	37
	Open Budget (IBP Index)	54
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	16
	Government effectiveness (WGI)	40
	Rule of law (WGI)	52

■	Satisfactory	■	Weak
■	Partial	■	Failing