

## India



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

India has considerable resource wealth, including large coal, iron, and petroleum reserves. The RGI has focused its analysis on the oil and gas sector, which accounted for 40 percent of all resource production in 2009–2010. Oil has replaced coal as the nation's most valuable commodity, yet India's strong economic growth and expanding population make it a net oil importer.

India	2000	2005	2011
Population (million)	1053.90	1140.04	1241.49
GDP (constant 2011 international \$ billion)	605.9	944.7	1,848.0
GDP per capita, PPP (constant 2005 international \$)	1,722	2,209	3,203
Extractive exports (% total exports)	6%	18%	22%

SOURCES: World Bank.

While the extractive sector as a whole produced 22 percent of merchandise exports in 2011, petroleum products made up almost half of the country's imports.

### India's Performance on the RGI

India received a "partial" score of 70, ranking 12th out of 58 countries. While it performed well on the Safeguards and Quality Controls component, lower scores on its Institutional and Legal Setting and Enabling environment produced an overall score that fell just short of "satisfactory."

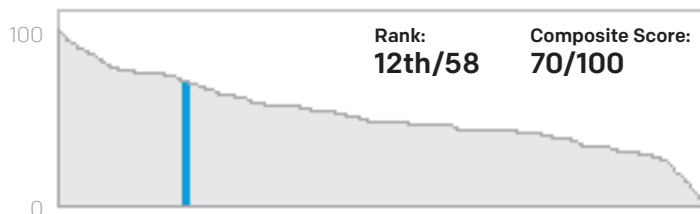
#### Institutional and Legal Setting

(Rank: 29th/58 Score: 60/100)

India's "partial" score of 60 reflects insufficient disclosure requirements, despite a comprehensive legal framework governing the hydrocarbon sector.

The Petroleum and Natural Gas Ministry sets licensing procedures and a cabinet committee of the executive branch grants licenses following open bidding. Petroleum companies sign production sharing contracts with the government. The Directorate General of Hydrocarbons, an office within the Petroleum and Natural Gas Ministry, regulates the upstream oil and gas sector.

The government receives some profit oil in-kind and sells



it to domestic refineries at a subsidized rate. The Directorate General of Hydrocarbons collects non-tax revenues, which are deposited in either the national treasury or state government accounts.

Environmental impact assessments, including a social impact component, must be performed. Petroleum legislation is publicly available and defines basic fiscal terms; model production sharing contracts include profit-sharing formulas and detailed fiscal arrangements. India's Right to Information Act guarantees access to extractive industry information.

#### Reporting Practices

(Rank: 13th/58 Score: 72/100)

India received a "satisfactory" score of 72. While the government publishes useful data on a number of important aspects of the petroleum industry, there is little contract transparency.

The Petroleum and Natural Gas Ministry publishes information about licensing procedures and winning bids, but contract terms may be obtained only through the Right to Information Act. Publication of environmental impact assessments is not required.

The Finance Ministry provides production volumes, information on investments, subsidies, and aggregate revenues. The Petroleum and Natural Gas Ministry publishes data on reserves, production volumes, prices, exports, subsidies, and social payments, as well as company-by-company data and disaggregated revenue streams. The Directorate General of Hydrocarbons publishes reserve estimates, production volumes, company-by-company data, and profit receipts. Central bank reports include production volumes and information on exports.

#### Safeguards and Quality Controls

(Rank: 6th/58 Score: 83/100)

India earned a "satisfactory" score of 83, the product of substantial reporting requirements, including for state-owned companies.

Though contract terms are set by law, licensing authorities have some discretion when negotiating with companies. The legislature has limited oversight of the licensing process, and there is no clear method of appeal. Government officials must disclose potential conflicts of interest.

The Comptroller and Auditor General annually audit petroleum revenues. The reports are published online and reviewed

by parliament. The Public Accounts Committee scrutinizes resource revenue reports, but not always in a timely fashion. National auditors may also conduct ad hoc audits of specific sectors.

### Enabling Environment

(Rank: 11th/58 Score: 61/100)

With a relatively high global ranking for budgetary openness but poor performance on measurements of corruption control, India received a “partial” score of 61.

### State-Owned Companies

(Rank: 4th/45 Score: 92/100)

India partially privatized its petroleum sector in the 1990s, but

much of the industry is still dominated by four national oil companies, in which the state owns a controlling interest. State-owned companies still subsidize national fuel prices, though the government has made attempts at reform.

The Oil and Natural Gas Corporation, India’s largest national oil company, publishes quarterly and annual information on reserves, production volumes, prices, production costs, subsidies, and disaggregated revenue streams. Its accounts are audited and the results are published. Annual reports contain information on the composition of the company’s board of directors and decision-making processes.

## India’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
<b>12</b>	<b>COMPOSITE SCORE</b>	<b>70</b>
<b>29</b>	<b>Institutional and Legal Setting</b>	<b>60</b>
	Freedom of information law	100
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	33
	Environmental and social impact assessments required	50
	Clarity in revenue collection	67
	Comprehensive public sector balance	33
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
<b>13</b>	<b>Reporting Practices</b>	<b>72</b>
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	67
	Production volumes	100
	Production value	67
	Primary sources of revenue	100
	Secondary sources of revenue	50
	Subsidies	100
	Operating company names	100
	Comprehensive SOC reports	100
	SOC production data	76
	SOC revenue data	100
	SOC quasi fiscal activities	50
	SOC board of directors	100
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
<b>6</b>	<b>Safeguards and Quality Controls</b>	<b>83</b>
	Checks on licensing process	67
	Checks on budgetary process	67
	Quality of government reports	50
	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	..
	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	..
<b>11</b>	<b>Enabling Environment</b>	<b>61</b>
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	42
	Open Budget (IBP Index)	86
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	68
	Government effectiveness (WGI)	55
	Rule of law (WGI)	55

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